



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1700-01

From: Director of Financial Services

Date: January 14, 2025

Subject: 2026-2030 Financial Plan Taxation Scenarios

PURPOSE:

To provide Council with information requested from the November 26th and 27th Committee of the Whole meetings.

BACKGROUND:

At the November 26th and 27th Committee of the Whole meetings Council gave the following direction:

THAT the Committee of the Whole direct staff to return with information on financial plan tax change scenarios based on 5, 6, and 7% tax change options for 2026, using a \$6 to \$8.8 million minimum surplus balance target, and with excess surplus being used to smooth tax increases over the 2026-2030 Financial Plan.

*THAT the Committee of the Whole endorse the 2026-2030 Operating plan as presented;
THAT the Committee of the Whole endorse the 2026-2030 Capital plan as presented;
THAT the Committee of the Whole endorse the 2026-2030 Financial plan as presented;
AND THAT the Committee of the Whole direct staff to prepare the 2026-2030 Financial Plan bylaw for Council's consideration in 2026.*

Other information requested:

- *Information on current long-term debt coming to an end*
- *Information on revenue detail*

DISCUSSION:

Tax Change Scenarios

The following tables provide information regarding the taxation change required per year given varying taxation and surplus target scenarios.

Assumptions and background information that applies to all scenarios:

- New taxation revenue (non-market) is set at \$250,000 per year
- 1% taxation change in 2026 = \$370,000
- No new surplus assumed in future years
- Table headings
 - Total Tax Revenue – This represents the total tax revenue for the given year
 - Annual \$ change – This represents the dollar value change in taxation from prior year
 - Annual % change – This represents the percentage change in taxation from the prior year
 - Additional surplus utilized – This represents the surplus utilized to reduce the given years tax change. The term, additional is used as the City is currently using surplus to fund carry forward items, various special projects, an assumed 5% staff vacancy rate.

- Surplus balance – This represents the expected surplus balance after the usage of additional surplus
- Target variance – This represents the difference between the surplus target and the surplus balance

Discussion continues next page

Table 1: \$6M Minimum Surplus Target Scenario

	Taxation Change Scenario - \$6M Surplus Target				
	2026	2027	2028	2029	2030
Total Tax Revenue	\$ 39,173,500	\$ 45,735,666	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,103,500	\$ 6,562,166	\$ 6,296,534	\$ 2,000,000	\$ 1,636,100
Annual % Change	5.0%	16.8%	13.8%	3.8%	3.0%
Additional surplus utilized	\$ 3,756,666	\$ 2,377,334	\$ -	\$ -	\$ -
Surplus balance	\$ 8,377,334	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 2,377,334	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 39,544,200	\$ 45,364,966	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,474,200	\$ 5,820,766	\$ 6,667,234	\$ 2,000,000	\$ 1,636,100
Annual % Change	6.0%	14.7%	14.7%	3.8%	3.0%
Additional surplus utilized	\$ 3,385,966	\$ 2,748,034	\$ -	\$ -	\$ -
Surplus balance	\$ 8,748,034	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 2,748,034	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 39,914,900	\$ 44,994,266	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,844,900	\$ 5,079,366	\$ 7,037,934	\$ 2,000,000	\$ 1,636,100
Annual % Change	7.0%	12.7%	15.6%	3.8%	3.0%
Additional surplus utilized	\$ 3,015,266	\$ 3,118,734	\$ -	\$ -	\$ -
Surplus balance	\$ 9,118,734	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 3,118,734	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 40,285,600	\$ 44,623,566	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,215,600	\$ 4,337,966	\$ 7,408,634	\$ 2,000,000	\$ 1,636,100
Annual % Change	8.0%	10.8%	16.6%	3.8%	3.0%
Additional surplus utilized	\$ 2,644,566	\$ 3,489,434	\$ -	\$ -	\$ -
Surplus balance	\$ 9,489,434	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 3,489,434	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 40,656,300	\$ 44,315,367	\$ 51,969,699	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,586,300	\$ 3,659,067	\$ 7,654,332	\$ 2,062,501	\$ 1,636,100
Annual % Change	9.0%	9.0%	17.3%	4.0%	3.0%
Additional surplus utilized	\$ 2,273,866	\$ 3,797,633	\$ 62,501	\$ -	\$ -
Surplus balance	\$ 9,860,134	\$ 6,062,501	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 3,860,134	\$ 62,501	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 41,027,000	\$ 45,129,700	\$ 50,784,666	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,957,000	\$ 4,102,700	\$ 5,654,966	\$ 3,247,534	\$ 1,636,100
Annual % Change	10.0%	10.0%	12.5%	6.4%	3.0%
Additional surplus utilized	\$ 1,903,166	\$ 2,983,300	\$ 1,247,534	\$ -	\$ -
Surplus balance	\$ 10,230,834	\$ 7,247,534	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Target variance	\$ 4,230,834	\$ 1,247,534	\$ -	\$ -	\$ -

Analysis

Using the \$6M target (Table 1) we see that a tax change of about 9% provides funds to reduce the 2026 and 2027 tax changes to an equal amount. All lower tax change options (5%, 6%, 7%) consume 100% of available surplus to achieve the given reduced 2026 tax change with adequate surplus left on hand to smooth out 2027 tax change to equal 2026.

The Table 2 below outlines the estimated impact on various tax change scenarios on an average home.

Table 2 – Tax Impact on Average Home

		Impact on Average Home \$6M Scenario					
2026 Tax Change		2026	2027	2028	2029	2030	
5.0%	\$ Total	\$ 2,298.45	\$ 2,683.48	\$ 3,052.92	\$ 3,170.26	\$ 3,266.26	
	\$ Change	\$ 109.45	\$ 385.03	\$ 369.44	\$ 117.35	\$ 96.00	
6.0%	\$ Total	\$ 2,320.34	\$ 2,661.89	\$ 3,053.10	\$ 3,170.45	\$ 3,266.46	
	\$ Change	\$ 131.34	\$ 341.55	\$ 391.21	\$ 117.35	\$ 96.00	
7.0%	\$ Total	\$ 2,342.23	\$ 2,640.29	\$ 3,053.28	\$ 3,170.64	\$ 3,266.65	
	\$ Change	\$ 153.23	\$ 298.06	\$ 412.99	\$ 117.36	\$ 96.01	
8.0%	\$ Total	\$ 2,364.12	\$ 2,618.69	\$ 3,053.46	\$ 3,170.83	\$ 3,266.84	
	\$ Change	\$ 175.12	\$ 254.57	\$ 434.77	\$ 117.37	\$ 96.01	
9.0%	\$ Total	\$ 2,386.01	\$ 2,600.75	\$ 3,049.96	\$ 3,171.01	\$ 3,267.02	
	\$ Change	\$ 197.01	\$ 214.74	\$ 449.21	\$ 121.04	\$ 96.02	
10.0%	\$ Total	\$ 2,407.90	\$ 2,648.69	\$ 2,980.58	\$ 3,171.18	\$ 3,267.21	
	\$ Change	\$ 218.90	\$ 240.79	\$ 331.89	\$ 190.60	\$ 96.02	

The impact on the average home represents Municipal taxation only. Each % change option results in a more substantial reduction in 2026 yet when looking at 2028 all scenarios result in more substantial taxation increase. Looking forward to 2030 each scenario lands the average home within \$1 which is expected as future revenue requirements are not changing. What is changing is the rate at which we arrive at the future revenue requirement. Taxation on an average home in 2025 was \$2,189 per BC Statistics

Discussion continues next page

Table 3 - \$8.8M Minimum Surplus Target Scenario

Taxation Change Scenario - \$8.8M Surplus Target					
	2026	2027	2028	2029	2030
Total Tax Revenue	\$ 39,173,500	\$ 48,535,666	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,103,500	\$ 9,362,166	\$ 3,496,534	\$ 2,000,000	\$ 1,636,100
Annual % Change	5.0%	23.9%	7.2%	3.8%	3.0%
Additional surplus utilized	\$ 3,756,666	\$ (422,666)	\$ -	\$ -	\$ -
Surplus balance	\$ 8,377,334	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ (422,666)	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 39,544,200	\$ 48,164,966	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,474,200	\$ 8,620,766	\$ 3,867,234	\$ 2,000,000	\$ 1,636,100
Annual % Change	6.0%	21.8%	8.0%	3.8%	3.0%
Additional surplus utilized	\$ 3,385,966	\$ (51,966)	\$ -	\$ -	\$ -
Surplus balance	\$ 8,748,034	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ (51,966)	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 39,914,900	\$ 47,794,266	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 2,844,900	\$ 7,879,366	\$ 4,237,934	\$ 2,000,000	\$ 1,636,100
Annual % Change	7.0%	19.7%	8.9%	3.8%	3.0%
Additional surplus utilized	\$ 3,015,266	\$ 318,734	\$ -	\$ -	\$ -
Surplus balance	\$ 9,118,734	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ 318,734	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 40,285,600	\$ 47,423,566	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,215,600	\$ 7,137,966	\$ 4,608,634	\$ 2,000,000	\$ 1,636,100
Annual % Change	8.0%	17.7%	9.7%	3.8%	3.0%
Additional surplus utilized	\$ 2,644,566	\$ 689,434	\$ -	\$ -	\$ -
Surplus balance	\$ 9,489,434	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ 689,434	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 40,656,300	\$ 47,052,866	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,586,300	\$ 6,396,566	\$ 4,979,334	\$ 2,000,000	\$ 1,636,100
Annual % Change	9.0%	15.7%	10.6%	3.8%	3.0%
Additional surplus utilized	\$ 2,273,866	\$ 1,060,134	\$ -	\$ -	\$ -
Surplus balance	\$ 9,860,134	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ 1,060,134	\$ -	\$ -	\$ -	\$ -
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Total Tax Revenue	\$ 41,027,000	\$ 46,682,166	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 3,957,000	\$ 5,655,166	\$ 5,350,034	\$ 2,000,000	\$ 1,636,100
Annual % Change	10.0%	13.8%	11.5%	3.8%	3.0%
Additional surplus utilized	\$ 1,903,166	\$ 1,430,834	\$ -	\$ -	\$ -
Surplus balance	\$ 10,230,834	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000	\$ 8,800,000
Target variance	\$ 1,430,834	\$ -	\$ -	\$ -	\$ -

Analysis

Using the \$8.8M target (Table 3 above) we see that in the 5% and 6% 2026 change scenarios that the City projected surplus falls below the desired target by \$422k (5%) or \$52k (6%). There are no tax change scenarios that provide adequate surplus to reduce 2027 and beyond taxation change levels equal to 2026.

The Table 4 below outlines the estimated impact on various tax change scenarios on an average home.

Table 4 – Tax Impact on Average Home

		Impact on Average Home \$8.8M Scenario					
2026 Tax Change		2026	2027	2028	2029	2030	
5.0%	\$ Total	\$ 2,298.45	\$ 2,847.76	\$ 3,052.92	\$ 3,170.26	\$ 3,266.26	
	\$ Change	\$ 109.45	\$ 549.31	\$ 205.15	\$ 117.35	\$ 96.00	
6.0%	\$ Total	\$ 2,320.34	\$ 2,826.18	\$ 3,053.10	\$ 3,170.45	\$ 3,266.46	
	\$ Change	\$ 131.34	\$ 505.84	\$ 226.92	\$ 117.35	\$ 96.00	
7.0%	\$ Total	\$ 2,342.23	\$ 2,804.60	\$ 3,053.28	\$ 3,170.64	\$ 3,266.65	
	\$ Change	\$ 153.23	\$ 462.37	\$ 248.68	\$ 117.36	\$ 96.01	
8.0%	\$ Total	\$ 2,364.12	\$ 2,783.00	\$ 3,053.46	\$ 3,170.83	\$ 3,266.84	
	\$ Change	\$ 175.12	\$ 418.88	\$ 270.45	\$ 117.37	\$ 96.01	
9.0%	\$ Total	\$ 2,386.01	\$ 2,761.41	\$ 3,053.63	\$ 3,171.01	\$ 3,267.02	
	\$ Change	\$ 197.01	\$ 375.40	\$ 292.22	\$ 117.37	\$ 96.02	
10.0%	\$ Total	\$ 2,407.90	\$ 2,739.81	\$ 3,053.80	\$ 3,171.18	\$ 3,267.21	
	\$ Change	\$ 218.90	\$ 331.91	\$ 314.00	\$ 117.38	\$ 96.02	

The impact on the average home represents Municipal taxation only. Each option presented results in a more substantial impact in 2026 yet when looking at 2027 the 5%, 6% and 7% scenarios result in more substantial taxation increase required while the 9% and 10% scenarios smooth the change through 2028. Looking forward to 2030 each scenario lands the average home within \$1 which is expected as future revenue requirements are not changing. What is changing is the rate at which we arrive at the future revenue requirement. Taxation on an average home in 2025 was \$2,189 per BC Statistics.

100% Tax Funded Change Scenario

The scenario below outlines the impact on taxation if zero surplus is used to supplement taxation change. Note that the 2030 total tax revenue remains equal to all other scenarios.

Fully Tax Funded Scenario	2026	2027	2028	2029	2030
Total Tax Revenue	\$ 42,930,166	\$ 48,113,000	\$ 52,032,200	\$ 54,032,200	\$ 55,668,300
Annual \$ Change	\$ 5,860,166	\$ 5,182,834	\$ 3,919,200	\$ 2,000,000	\$ 1,636,100
Annual % Change	15.8%	12.1%	8.1%	3.8%	3.0%

Impact on Average Home - 100% Tax Funded Scenario

	2026	2027	2028	2029	2030
\$ Total	\$ 2,535.05	\$ 2,841.09	\$ 3,072.52	\$ 3,190.63	\$ 3,287.24
\$ Change	\$ 346.05	\$ 306.05	\$ 231.43	\$ 118.10	\$ 96.61

Tax Change Scenario Summary

Looking at all the tax change scenarios and surplus balance scenarios, the final taxation required to fund City operations in 2030 does not change, the average homes taxation in all the scenarios lands near \$3,266. The meaningful changes of the given scenarios fall within the first 1-3 years.

Surplus Targets

Council identified more information regarding the method on which the target surplus balance was quantified. The information provided below outlines the original method of the surplus target and the revised method of the surplus target.

Original method – This method only took into consideration the removal of Sewer and Water operating expenses when determining the total general fund annual spend to provide guidance on the targeted surplus balance.

Revised method – This method takes into consideration operating spending that the City has existing reserves to supplement these expenditures if unanticipated costs occur. This method removes Solid waste, RCMP Contract costs and Gaming expenditure from the total General Fund annual spend, this reduces the annual spend and thus reduces the surplus target balance required as the surplus does not need to cover unanticipated costs as existing specific reserves can be used.

The table below shows the quantification of the total general fund annual spending

Surplus Scenarios

	Original		Revised
Total Budgeted Spend	2025		2025
Total operational	73,494,350	\$	73,494,350
Add - General tax funded capital	2,569,000		2,569,000
Total spending	76,063,350	\$	76,063,350
Less Expenditures with Reserves			
Solid waste	-	\$	(4,011,100)
RCMP contract only	-		(8,452,800)
Gaming	-		(1,250,000)
Sewer operations	(9,454,900)		(9,454,900)
Water operations	(10,684,200)		(10,684,200)
Total removed	(20,139,100)	\$	(33,853,000)
Total general fund spending	55,924,250	\$	42,210,350
Monthly	4,660,354	\$	3,518,000
Weekly	1,075,466	\$	812,000
Daily	153,217	\$	116,000
2026 Available surplus - est.	12,134,000	\$	12,134,000

Note that in the revised method the total general fund annual spending is reduced from \$55.9M down to \$42.2M. This figure is used as a proxy to determine suitable surplus balance to be held. Also note that the estimated 2026 available surplus does not change as these funds remain available for use

The table below shows the recommended surplus balance given various levels of annual spending to be kept on hand. These recommendations range from 10% of annual spending up to 25% of annual spending. Given that the annual spending is the proxy to determine the desired surplus balance the original and revised annual spending methods are shown.

Table 5 - Surplus Balance Scenario

Surplus Balance Scenario		
Reserve Detail	Original Reserve balance	Revised Reserve balance
10% of annual spending 6.9 weeks of cash on hand 1.6 months of cash on hand	\$ 5,590,000	\$ 4,220,000
15% of annual spending 10.3 weeks of cash on hand 2.4 months of cash on hand	\$ 8,390,000	\$ 6,330,000
17% of annual spending 8.0 weeks of cash on hand 2.0 months of cash on hand	\$ 9,320,000	\$ 7,030,000
20% of annual spending 13.8 weeks of cash on hand 3.2 months of cash on hand	\$ 11,180,000	\$ 8,440,000
25% of annual spending 17.2 weeks of cash on hand 4.0 months of cash on hand	\$ 13,980,000	\$ 10,550,000

Taxation Change Scenario and Surplus Target Summary

Given the information on various taxation change scenarios and the updated Surplus target information Council has been given several moving pieces that are interdependent upon one another as the desired surplus target will have a direct impact on the taxation change scenarios. If Council decides to have a higher surplus target it will reduce the available surplus to be applied to reducing taxation while if Council decides on a lower surplus target, it will increase the available surplus to be applied to reducing taxation.

Direction Required to further the 2026-2030 Financial Plan

That Council determine a desired surplus balance to be held.

The determination of the surplus balance to be held provides guidance to staff in the preparation of the 2026-2030 Financial Plan. This information needs to come before a property tax direction is given as it directly impacts the amount of funding available to supplement all tax change scenarios.

That Council give direction on taxation change scenario

The determination of tax change scenario will provide guidance to staff in the preparation of the 2026-2030 Financial Plan. This information will be directly impacted by the surplus balance to be held as it will impact the availability of funds to achieve the given tax change scenario in the current and future years.

Recommendations:

Surplus Balance

Staff recommend that the City holds 15% (\$6,330,000) of the prior years budgeted total general fund spending in surplus.

- The rationale for this target is to ensure efficient use of City capital, as excess funds not actively in use do not further the priorities of the City. Furthermore, the City has other reserves on hand that could be accessed if necessary, coupled with the City's ability to access short term financing through the Municipal Finance Authorities Revenue Anticipation borrowing program.
- The 15% surplus target blends efficient use of capital with adequate cash savings on hand.

Tax Change Scenario

Given the 15% surplus balance direction staff recommend that the 9% tax change scenario is adopted as it provides consistency in taxation change for 2026 (9%) and 2027 (9%).

- The rationale for this scenario is that it provides the 2026-2029 Council time to set strategic priorities and complete 1 full budget cycle (2027-2031) prior to the 2028-2032 Financial Planning process and the forecasted 17.3% tax increase.
- This allows for smooth and predictable taxation changes for the next 2 years and time for future decision makers to provide direction.
- Although the surplus balance is projected to be below the \$6.3M target in 2027 the balance is reasonable as the variance is less than 5% from the target (\$6.06M vs \$6.3M)

Long Term Debt Schedule

The table below shows the City's current long term debt obligations. There are no budget items in the proposed 2026-2030 Financial plan that would carry debt for a period of less than 5 years.

Table 6 – Long Term Debt Schedule

Project	Term Years	Maturity Date	Interest Rate %	Existing Long Term Debt Schedule		Year End Loan Balance				
				Debt Servicing		2025	2026	2027	2028	2029
				Cost						
Lerwick Road Ext. Prop Acquisition	25	2029	4.30%	\$ 61,437	\$ 245,750	\$ 184,312	\$ 122,875	\$ 61,437	\$ -	
Repaving Program	20	2025	0.32%	31,423	-	-	-	-	-	
Lerwick Road Extension	25	2030	0.91%	38,467	192,337	153,869	115,402	76,935	38,467	
Lerwick Road Construction	20	2026	1.53%	49,962	49,962	-	-	-	-	
Police Property Acquisition	20	2027	1.53%	66,130	132,259	66,130	-	-	-	
Native Sons Hall Renovation	15	2025	1.28%	51,410	-	-	-	-	-	
Lewis Centre Renovation	15	2027	3.39%	347,835	695,669	347,835	-	-	-	
Infrastructure Works - Road Paving	15	2027	3.39%	129,196	258,392	129,196	-	-	-	
Fifth Street Bridge Rehabilitation	20	2041	2.58%	175,369	2,805,901	2,630,532	2,455,164	2,279,795	2,104,426	
TOTAL GENERAL CAPITAL FUND				\$ 951,228	\$ 4,380,270	\$ 3,511,874	\$ 2,693,440	\$ 2,418,167	\$ 2,142,893	
Water Extension - Lerwick Road	20	2026	1.53%	\$ 41,635	\$ 41,635	\$ -	\$ -	\$ -	\$ -	
TOTAL WATER CAPITAL FUND				\$ 41,635	\$ 41,635	\$ -	\$ -	\$ -	\$ -	
Sewer Extension	25	2029	4.30%	\$ 46,078	\$ 184,313	\$ 138,235	\$ 92,156	\$ 46,078	\$ -	
Sewer Extension	25	2030	0.91%	108,258	541,289	433,031	324,774	216,516	108,258	
Sewer Extension - Lerwick Road	20	2026	1.53%	25,258	25,258	-	-	-	-	
Sewer Extension - Greenwood Trunk	25	2045	0.91%	123,951	2,479,024	2,355,073	2,231,121	2,107,170	1,983,219	
TOTAL SEWER CAPITAL FUND				\$ 303,545	\$ 3,229,884	\$ 2,926,339	\$ 2,648,051	\$ 2,369,764	\$ 2,091,477	
TOTAL				\$ 1,296,408	\$ 7,651,788	\$ 6,438,213	\$ 5,341,492	\$ 4,787,931	\$ 4,234,370	

- Debt Servicing Costs represent annual principal and interest payments
- All debt is held with the Municipal Finance Authority (MFA). Interest rates are set by the MFA and are reflective of the interest rate environment at the time of issue or renewal.
- The City is seeing \$116,855 of debt servicing cost expire in 2025

Revenue Detail

The Committee discussed receiving municipal revenue in greater detail to better understand the impact of other various changes in revenue if directed. Appendix 1 - City of Courtenay Financial Plan 2026-2030 Revenue Detail contains additional details on City revenues.

The table below summarizes the 2025 revenue as allocated by type

Revenue Type	Allocation
Property Taxation	46%
Frontage and Parcel Taxes	5%
Utility Fees	27%
Fees and charges	6%
Govt Transfers	10%
Other	6%
Total	100%

Property taxation, Frontage and Parcel taxes, and Utilities 78%

Property taxation, Frontage and Parcel taxes, and Utilities represent 78% (46% + 5% + 27%) of total revenue. These revenues are directly impacted by Council direction as for the most part these revenues are not subject to user discretion as it is not possible to opt out of these services.

Fees and Charges 6%

Fees and Charges revenue could be adjusted at the direction of Council however an increase to fees may not translate directly to an increase in fee revenue as fees and charges are more subject to user discretion.

If fees increase beyond a user's willingness to pay they may forgo the service thus resulting in a net decrease in fee revenue although fee rates have increased. Further, RCCS fee revenue represents 50% of the total fees and charges while Development Services contributes 32%, leaving 18% across all remaining departments. An increase of 5% across all fees and charges could bring an additional \$225K however this is simply the mathematical revenue while in reality, actual fee revenue increase would likely be lower.

Govt Transfers 10%

Government transfers captures all transfers from various levels of government (Federal, Provincial, Regional). These transfers include operating and capital funding typically in the form of grants with some notable grants being the Canada Community Building Fund (gas tax) and CVRD recreation grants. Government transfer revenue is not easily adjusted by Council direction as the majority of transfers are grants for specific projects or activities.

Other Revenue 6%

Other revenue captures all other revenue that does not fit into the other given categories. The majority of other revenue is investment and penalty revenue which represents 46% of the total. Investment revenue stems from earnings on the City's cash reserve holdings. Earnings from various reserves are kept within the given reserve for its intended use.

Other Revenue Grants-in lieu of taxes represent 14% of other revenue. These revenue streams are grants-in lieu of taxes for properties owned by Provincial or Federal governments as these properties are not subject to municipal taxation. Other levels of government set these grants-in lieu of taxes however the amounts are adjusted annually to reflect near what municipal taxation would be. Municipalities have little influence on these revenues.

Revenue Detail Summary

Municipalities have multiple revenue streams however many of these streams cannot be easily influenced to create a substantial impact to the overall revenue figures. Property taxation and utility fees are a municipalities main source of revenue that provides for 78% of the City's total annual funding. See detail in Appendix 1 attached.

POLICY ANALYSIS:

Section 165 of the Community Charter requires a municipality to have a five-year financial plan adopted annually prior to May 15 each year.

FINANCIAL IMPLICATIONS:

There are no direct financial implications from the information provided in this report. Financial implications will come as a result of direction given by Council on the future of the 2026-2030 Financial Plan.

ADMINISTRATIVE IMPLICATIONS:

Upon receipt of Council direction staff will work on the following items:

- Preparation of a 2026-2030 Five Year Financial Plan bylaw

Once Council adopts the 2026-2030 Five Year Financial Plan bylaw staff will prepare the annual tax rate bylaw with revised roll information received in April from BC Assessment along with information regarding other taxing authorities. Once this information has been collected an amended Financial Plan bylaw and

the annual Tax Rate bylaw will be brought before Council for consideration in late April, to meet the May 15th statutory adoption deadline.

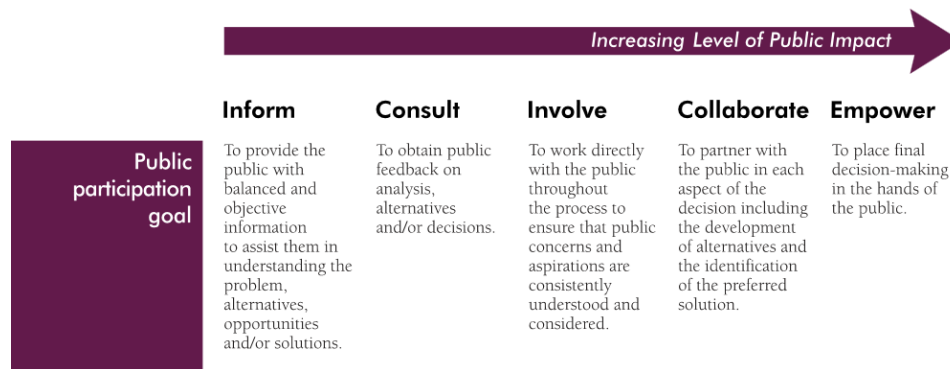
STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following cardinal directions:

- **COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE** by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

PUBLIC ENGAGEMENT:

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



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OPTIONS:

1. THAT Council direct staff to prepare the 2026-2030 Financial Plan using a surplus balance target of 15% of the 2025 General Fund budgeted spending including tax funded capital and excluding expenditures with specific reserves;
And
THAT Council direct staff to prepare the 2026-2030 Financial Plan using the 9.0% tax change scenario for 2026 and that additional available surplus be applied through 2027-2030.
2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

- Appendix 1 - City of Courtenay Financial Plan 2026-2030 Revenue Detail
- Appendix 2 – 2026-2030 Financial Plan Committee of the Whole Report Nov 27, 2025

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