

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee (Pre-Budget) – October 28-29, 2024

AUTHOR: Tina Perreault, Chief Administrative Officer / Chief Financial Officer

SUBJECT: 2025-2029 FINANCIAL PLAN OUTLOOK

RECOMMENDATION(S)

THAT the report titled 2025-2029 Financial Plan Outlook be received for information.

BACKGROUND

Sections 374 and 375 of the *Local Government Act* require Regional Districts to complete a five-year Financial Plan and institute a public participation process to explain the plan.

The purpose of this report is to present preliminary budgetary information on factors which may affect the upcoming Financial Plan such as external and internal considerations, taxation, user rates, staff resourcing as well as items identified as Board focus areas from the adopted Strategic Plan. This information does not contain any impacts of assessment changes as the information is not available from BC Assessment until January 1, 2025, and will be presented as part of the Round 2 Budget deliberations scheduled for January 13-14, 2025.

All values are preliminary and are subject to change as items such as wage allocations, support service recoveries, contractual obligations, timing of new debt issuances, new Board approvals, and new projects are included through the Budget deliberations leading to the final Financial Plan Bylaw adoption scheduled for February 13, 2024.

DISCUSSION

Economic External Scan

The Sunshine Coast Regional District (SCRD) is impacted by economic and geopolitical events, which can impact trade, commodities, and supply chains. Based on current market data available at the time of this report, the following economic highlights have been provided:

- The Canadian national annual inflation rate in September was 1.6% and has fallen from 3.1% at the start of 2024. This rate falls below the Bank of Canada's target rate of 2% which indicates further cuts are expected.
- Bank of Canada rates have decreased by 0.75% since June 2024 currently at 4.25% which is still 2.5% higher than the rates prior to covid-19, causing both financing and investment rates to remain elevated.
- British Columbia's fiscal and economic update reveals a growing deficit (\$5B in 2023/24) due to increased housing and shelter program spending, wildfire fighting costs. This has resulted in Provincial Government taxpayer supported debt reaching nearly \$75.4 billion, up 26 percent from 2022-2023.

- Canadian Real Gross Domestic Product (GDP) increased 0.5% in the second quarter of 2024 while the Per-person GDP is declined by 0.1% and is expected to decline throughout 2024, threatening overall prosperity.
- As of July 2024, the year-to-date number of planned residential units in B.C.'s census metropolitan areas decreased by 4.0%. Housing starts are expected to drop significantly in BC in 2024, hindering efforts to address housing supply and affordability issues. For reference, the year to date value of building permits increased by 4.1% while BC remained flat at 0.0% ([Source Province of BC: Building Permit Highlights](#))
- At the end of September 2024, the unemployment rates for the Province has climbed to 6.0% (Sept. 2023-5.5%) and 4.5% for the Vancouver Island/Coastal region ([Source: Province of BC: Labour market statistics](#)). Most job sectors continue to see a decline in job activity, however demand for workers continues to impact the SCRD. This is reflective of the unemployment rate of the following sectors utilities- 5.5% (inclusive of water and wastewater), Community and Government-1.4%, Trades, Transport and Equipment Operators-3.3%.
- The Vancouver Consumer Price Indices (CPI) at the end of September 2024, 12-month annual average percent change is up 2.8% over the past 12 months, with the Canadian average up 2.7% ([Source: BC Stats/Statistics Canada - September 2024](#)). Although CPI is one external economic indicator, generally local government spending does not align with consumer goods, therefore, other indices such as fuel, labour, construction, energy, and commodities are segments which are most relevant.
- The Municipal Finance Authority of BC's (MFA) long-term borrowing interest rates are decreasing as Bank of Canada policy rates fall. Status of loans are as follows:

Year	Issue #	5 yr	10 yr	15 yr	20 yr	25 yr	30 yr
2024 Spring	161	4.05%	4.44%	4.44%	4.44%	4.44%	4.44%
2023 Fall	160	4.73%	4.97%	4.97%	4.97%	4.97%	4.97%
2023 Spring	159	3.90%	4.15%	4.15%	4.15%	4.15%	4.15%
2022 Fall	158	3.82%	4.09%	4.09%	4.09%	4.09%	4.09%
2022 Spring	157	3.07%	3.36%	3.36%	3.36%	3.36%	3.36%

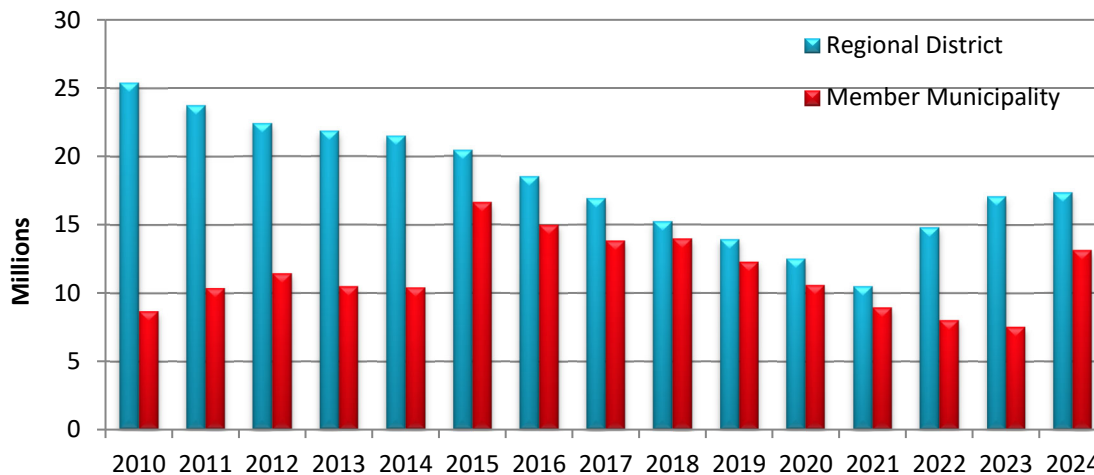
The current 10-year, 15- year and 20-year indicative rates as of October 22nd are 4.02%, 4.43% and 4.56% respectively. MFA equipment financing and short-term daily floating rates have also decreased to 4.87% (October 2024) from 5.62% at the same time last year.

SCRD Internal Scan

The total approved budget for 2024 was approximately \$64 million for operating and \$50 million capital. These values do not account for Financial Plan amendments throughout the year. Overall property tax increased 12.6% in 2024 (11.7%- 2023). The Budget for 2025 is expected to exceed 2024 and below is a summary of current and emerging items as the process begins.

Amendments for wage and benefits based on the Collective Agreement have been factored into the preliminary figures. Rates for 2025 are 4% and both the exempt management and Director remuneration Bylaws are planned for review by the Board to reflect the Vancouver CPI 12 month annual % average at October 31 which is expected to be in line with the rate noted above (2.8%).

As at October 15th, the SCRD’s budgeted unissued debt is \$16.29 million and is expected to climb for the foreseeable future as infrastructure needs increase. The last remaining debt payments for the 20-year debentures for the Community Recreation Facilities (1 of 2) and the Chapman Water Treatment Plant will be complete at the end of 2025. These debt payments are recovered through parcel taxes each year and account for approximately \$1.1 million and \$200,000 respectfully. Included in the table below is a snapshot of the total debt outstanding for both the SCRD and Member Municipalities.



Interest earned on investments ranges from 4% to 6% for short and long-term cash and reserves. Interest positively contributes toward funding operational and capital needs and reduces current and future tax burdens. Investment income earned is approximately \$4 million dollars each year used for operational and long-range financial needs.

Items which were previously approved by the Board which will impact (increase or decrease) the 2025-2029 Financial Plan as summarized below:

- New contract values approved prior to 2025 budget;
- Full cost of new staffing positions approved in 2025 that were pro-rated in 2024. There was an increase of 14.83 in the FTE counts from 2023 to 2024, with an additional 3.81 due to proration from 2024.
- Projects funded by taxation in 2024 which drop off in 2025;

- Debt servicing changes (principal and interest) such as debt resets at higher rates and full-year impacts for newly obtained debt;

What-if Taxation Scenarios

A preliminary ‘what-if’ property taxation scenario has been provided below if each category of the proposals. These figures do not include values which are “to-be-determined” such as the 2025/26 BC Transit AOA, any recent or new Financial Plan amendments.

Items	Area A	Area B	Area D	Area E	Area F	sNGD	DoS	ToG	Total
Baseline 2024 Approved	-1.19%	1.51%	0.84%	1.51%	1.19%	3.55%	3.59%	3.62%	1.70%
Community Partners	0.30%	0.04%	0.12%	0.29%	0.31%	0.03%	0.04%	0.37%	0.19%
Mandatory (Regulatory)	0.40%	0.38%	0.35%	0.37%	0.39%	0.28%	0.23%	0.15%	0.32%
Mandatory (Asset Failure)	0.11%	0.12%	0.11%	0.12%	0.12%	0.18%	0.17%	0.13%	0.13%
Strategic (Business Continuity)	1.61%	1.08%	1.04%	1.05%	1.14%	1.53%	1.81%	1.31%	1.32%
Strategic (Board Directive)	3.61%	2.38%	2.64%	2.33%	2.16%	0.00%	0.00%	0.95%	1.88%
Strategic Plan	0.32%	0.20%	0.20%	0.20%	0.22%	0.32%	0.39%	0.28%	0.26%
Discretionary	1.46%	1.43%	1.30%	1.53%	1.51%	1.33%	1.17%	1.01%	1.34%
Not Recommended	4.71%	3.30%	3.12%	3.17%	3.47%	0.00%	0.00%	0.00%	2.40%
	11.33%	10.43%	9.71%	10.56%	10.48%	7.22%	7.39%	7.81%	9.54%

It should be noted that these values are preliminary and subject to change up until the final Budget is adopted in February 2025 and the 2025 BC Assessment roll is released January 1.

5 Year Historical Budget Data

Below is an updated five-year summary of taxes, full-time employee counts and inflation data.

Historical Budget Details	2021	2022	2023	2024	Cumulative Change 2021-2024	Preliminary 2025
Ad Valorem Taxation	24,449,191	26,262,456	29,339,169	33,017,751	8,568,560	33,580,509
% Change Over Prior Year	15.50%	7.42%	11.7%	12.5%	35.0%	1.7%
FTE Count	223.50	236.09	245.05	259.88	36.38	263.69
% Change Over Prior Year	8.49%	5.6%	3.8%	6.0%	16.3%	1.46%
Inflation*	2.0%	2.0%	6.2%	2.8%		

*Statistics Canada, Annual Average % Charge as at September 30

Emerging Items

The following items are currently in progress and have the potential to impact the budget in 2025:

- Result of project tendering and new contract approvals outside of the Financial Planning process (e.g.-Solid Waste services);
- 2024 Year-End Results as several functions have deficits as of Q3 2024 variance reporting (e.g. Gibsons and District Fire and Parks services).
- Successful approval or application toward future grant projects.

- Transit Annual Operating Agreement (AOA); final AOA is not executed until after budget adoption.
- Outcome of the Volunteer Fire-Fighter Compensation Review (report to come before Round 1 Budget).
- Changes to benefits calculation (Workers Compensation, Canada Pension Plan, and Municipal Pension Plan)

Timeline for next steps or estimated completion date

Round 2 Budget meetings are scheduled for January 22-23, 2024 with final adoption of the 2024-2028 Financial Plan Bylaw scheduled for the February 22, 2024 Regular Board meeting.

Communication Plan

A community hub has been developed for the 2025 budget on the SCRD's Let's Talk Platform. The page includes agendas, information on the budget process and a timeline for this year's budget. It also offers the opportunity for residents to have questions answered about the budget process.

In addition to this, news releases will be issued after each round of budget that outline SCRD taxation per area and municipality.

In person, virtual and community public information sessions will be held including two sessions for utility/water rates.

Promotion of all of the above will be done via local media, Facebook and the SCRD's Website. The information will also be shared proactively with community associations and other local organizations via email.

STRATEGIC PLAN AND RELATED POLICIES

The financial planning process is directly linked to the Board's Strategic Plan, Corporate Plans, and Policies.

CONCLUSION

An external and internal economic scan has been provided in advance of the Financial Planning process as well as a 'what-if' property tax scenarios for each proposed initiative category.

This is preliminary information which will be provided through the Round 1 and 2 budget deliberations in anticipation of the 2025-2029 Financial Plan Bylaw adoption scheduled for February 13, 2025.

Reviewed by:			
Manager		Finance	X - A. Taylor
GM		Legislative	
CAO/CFO		Other	