



TOWN OF SIDNEY

REPORT TO COUNCIL

TO: Mayor & Council
FROM: Andrew Hicik, Director of Finance
DATE: March 3, 2026 **FILE NO.:** 1700-20-2026
SUBJECT: ADDITIONAL BUDGET NOTES

PURPOSE:

To provide additional information to support 2026-2030 Financial Plan deliberations.

BACKGROUND:

The 2026 budget process presents an ongoing challenge for staff and Council, as we attempt to transition back to normal funding levels following the pandemic, and deal with the cumulative impacts of inflation, while also trying to accommodate other financial pressures. This is the same opening statement we've been using for several years now; that is intentional, as it has been obvious for some time that transitioning back to full funding would be a multi-year effort.

Council received a presentation on the draft financial plan, as well as a binder of information to support the budget. The binder information includes a discussion of the major factors that influenced the creation of this budget; most of that will not be repeated here, but should be reviewed prior to the next budget meeting. What will be included in this report is additional information that has not yet been specifically highlighted or warrants clarification. This information is meant to enhance Council's understanding of what is included in the budget, and to provide more details on specific issues and items.

DISCUSSION:

Town staff presented a draft financial plan that was developed to maintain or enhance existing levels of service to taxpayers, and to support Council's strategic goals. Staff always look for internal efficiencies first, before bringing forward any proposal for a tax increase. Despite our best intentions, general cost increases, as well as the desire to respond to the demands for more and better services, make it difficult to avoid an annual tax increase.

General inflation has been abnormally high since the pandemic, reaching 6.96% in 2022. While inflation levelled off somewhat over the past two years, it remains higher than the long-term norm. And while annual inflation is lower than a few years ago, prices have not gone back to pre-pandemic levels; nor are they expected to. It should also be noted that general inflation is not a very good indicator of the cost pressures faced by most local governments, as our "basket of goods", which is used to measure general inflation for households, is different; our costs are more closely impacted by fuel and construction cost increases.

The draft financial plan starts out with a proposed general tax increase of 12.4%. This amount includes several new requests that have not yet been approved by Council, and is only a starting point for budget deliberations. Over the course of the budget process, Council may choose to add or remove certain projects and initiatives, which would have a bearing on the final tax impact.

It should be noted that staff have made every effort to reduce the tax impact; however, for reasons discussed below, we now have limited ability to keep tax increases closer to traditional norms. Please see below for a more complete explanation of our situation, and additional information to complement what has been previously provided on various segments of the budget.

Ongoing Impacts of Phasing Back to Full Taxation Level

During last year's budget process, the impact of the need to phase back to full taxation levels was prominently discussed. Following several post-COVID years featuring tax reductions and the use of Safe Restart funding, as well as Surplus, to balance our budgets – all while unavoidably accommodating new cost pressures – we had to institute our largest tax increase in many years. We knew last year that this phase-back would not be a one-time event, and that the 2026 budget would also feature a larger-than-average tax increase. This has certainly proven to be the case. In effect, tax increases were deferred for several years, due to the need to keep post-pandemic costs down for the community, as well as the availability of temporary senior government funding. When that funding ran out, we had to start making it up by applying the tax increases that we had been deferring.

While the following material was also included in last year's report, it is important information that bears repeating. Some community members may only be engaging with the Town's budget process for the first time.

Loss of Tax Mitigation

In 2020, in response to the impacts of the COVID-19 pandemic, the Town reduced its taxes, while leaving its services intact. We rolled back the proposed 1.79% tax increase for all taxpayers, and further reduced taxes to the business community by 10%. We made up for the lost revenues by borrowing from our surplus. The cumulative loss of tax revenue that resulted from these decisions was about \$576,000. It is important to note that while our regular level of tax revenue was reduced by that amount, our expenditures remained at the level required to fund expected services. In that pandemic year of 2020, rather than raising our annual revenues by the amount required to keep up with our costs (\$344,000), we instead reduced them by \$232,000; this represented a swing of \$576,000. This reduction was deemed to be a necessary Covid response, but we knew that the lost revenues would have to be made up in future years.

Later that year, BC communities received one-time funding under a Canada-BC Safe Restart Agreement to assist with the financial impacts of COVID. The Town received just over \$2.7 million. This grant not only allowed us to replenish the funds borrowed internally in 2020, but also to commit to keeping business taxes at the 2020 level as a starting point for 2021.

Since 2020, it has been evident that we would eventually need to transition back to full and sustainable property tax revenues, to ensure that important services for the community are not compromised. The intention was to slowly increase taxes over a number of years to make up for the one-time reduction. However, ongoing use of Safe Restart funds made our replenishment a bit more challenging every year. The cumulative amount of Safe Restart funds that must be made up through taxation (just over \$2.1M) equates to a tax impact of 15.36%.

Safe Restart funding was a huge boon to BC local governments, assisting many of them in weathering the financial impacts of the pandemic. However, the funds were intended for two basic purposes: to assist with temporary, pandemic-related costs, and to make up for lost

revenues. As the Town did not have significant amounts of either of those things, ongoing use of the funds to make up for the one-time tax reduction in 2020 was our only viable use of the grant.

Each year, we require a certain amount of new tax revenues to keep up with both inflation, and growth in services to the community. Every time that we fund part of this with something other than taxes, we contribute to a deferred tax increase. Eventually, these deferred taxes must be made up. The only alternative to catching up on deferred taxes is to reduce services. We have now reached a point where our tax mitigation tools have dried up, and there is no alternative but to make up the revenue shortfall through taxes.

Over the past five years, three factors have made our situation more challenging:

- Extraordinarily high inflation
- New and required services
- The desire to keep tax increases to a minimum for as long as possible.

Tax increases over the past few years have gone mostly to the above factors, and not to tax revenue replenishment. Given that Safe Restart funds are fully used up, and that the Town’s Accumulated Surplus has fallen below policy levels, our tax mitigation options are now very limited.

Tax Mitigation Used

The following table shows how much tax mitigation was used in the years 2020 through 2025. Tax mitigation is mostly made up of Safe Restart funds that were used to replace property tax revenues over that timeframe. The other component, Additional Surplus, includes Surplus funding over and above the amount deemed sustainable from year to year (\$250,000 per year).

Line #	Mitigation Type	2020	2021	2022	2023	2024	2025
1	Safe Restart	\$ 550,000	\$ 650,000	\$ 450,000	\$ 350,000	\$ 126,991	\$ -
2	Additional Surplus	127,181	250,000	200,000	186,000	395,000	651,500
		677,181	900,000	650,000	536,000	521,991	651,500
3	Tax Equivalent	5.66%	7.67%	5.33%	4.17%	3.77%	4.41%
4	Safe Restart only	4.60%	5.54%	3.69%	2.72%	0.92%	0.00%
5	Actual Tax Increase	0.00%	2.70%	3.76%	4.57%	6.04%	10.67%
6	Required Tax Increase	5.66%	10.37%	9.09%	8.74%	9.81%	15.08%

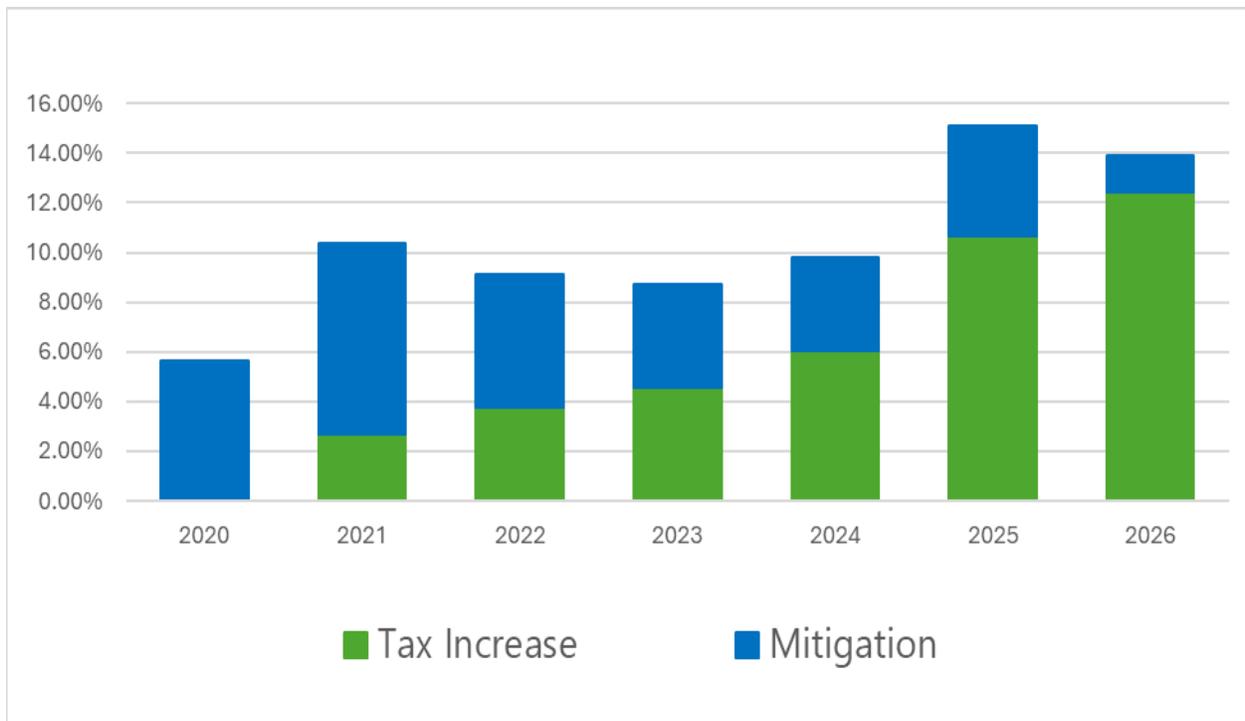
Line #3 above shows the total mitigation used each year converted to an equivalent tax increase. This is the amount of property tax increase that would have been required were it not for the mitigation funding; this is in addition to the percentage on Line #5. For example, in 2021, the tax increase would have to have been 7.67% to simply make up for the tax revenues that were replaced with these mitigations. And that increase would only have made up for 2021 mitigation measures; it would not have begun to address the loss of revenue in the previous year.

These percentages would be slightly lower if we were only looking to replace the Safe Restart funding (see line #4). After all, one of the purposes of Accumulated Surplus is to help reduce the tax impact of temporary fluctuations in expenditure. Technically, not all of the foregone Surplus funding has to be replenished; this is a separate policy decision that Council will be working through over the next few years.

Line #5 in the above table shows what the actual tax increase was for each year. Line #6, which is the total of lines #3 and #5, shows what the tax increase should have been in order to make up for all of the mitigation funding that was used. (As per the preceding paragraph, this percentage would be slightly lower if focusing only on the Safe Restart funding, and not on Surplus as well).

What is clearly evident from the above figures is that the tax increases over 5 of the past 6 years have been artificially low. The decision made by Council to reduce taxes in 2020, when the pandemic hit, was an understandable reaction to the potential impacts of Covid on the local economy and taxpayers. The decisions in the subsequent two years, while the impacts of the pandemic were still being felt, were also understandable. Unfortunately, the luxury of having the Safe Restart funds to tide us over had a negative aspect, in that they enabled us to defer tax increases we knew were inevitable.

The following chart illustrates the use of mitigation revenues and tax increases over the past seven budgets. It graphically illustrates the Required Tax Increases in line #6 of the above table.



What is clear from this chart is that the blue portions of our revenues (mitigation measures) have exceeded the green (tax increases) over the years, and that trend caught up to us in 2025. We essentially repeated the replacement of 2020’s lost tax revenues four times between 2020 and 2024, by using Safe Restart to replace taxes; this essentially compounded our tax revenue shortfall. And we did this while costs continued to increase. **We reduced tax revenues, but not the services that were temporarily funded by other means. Now the mitigation is gone, but the costs remain. The tax increases that we’ve been putting off are now coming due.** In addition, we will have to formulate a plan to replenish at least some of the Surplus funding that was used up to help mitigate tax increases over the past seven years.

New Services Added

New services are added in most years to enhance public services and better support community organizations. These new services are typically identified each year as Supplemental Requests. Included in these new services from time to time are increases to the staff complement to keep pace with Town growth and increasing demands on limited staff resources.

These additional, ongoing costs must be accommodated within the Town's annual funding. As evidenced by the above tables on artificially low tax increases, **the Town's ongoing funding stream has not nearly kept up with the demands of inflation and increased service levels.** That is why we are now looking at two consecutive double-digit tax increases.

Supplemental Requests

2026 features a very high level of Supplementals (new or enhanced services) in the draft budget. If all tax funded items are approved, the net impact would be just under \$886,000, which equates to a tax increase equivalent of 5.48%. While the Supplementals are summarized in the budget binder (pages 18-29), additional details on certain items are provided below.

RCMP Dispatch

The largest Supplemental item, Police Dispatch, is outside of the Town's control. A decision was made at the regional and provincial levels that resulted in the loss of funding for police dispatch services, and ongoing appeals to the Province to reinstate funding proved to be unsuccessful.

While we had some hope last year that the downloading of the costs of RCMP Dispatch services from the Province may be delayed or reversed, that has proven to be overly optimistic. The cost for the first nine months of the service was \$331,500 last year; due to the lack of final confirmation, we chose to fund this new cost from Surplus last year. However, as it is now an ongoing part of our operating budget, we must treat it as a service funded through property taxes. The full-year cost of police dispatch for 2026 is \$430,540. This item alone represents a tax impact of 2.63%.

Anticipated Fire Personnel Increases

The Town is currently negotiating its second collective agreement with its career firefighters. The new agreement, which is impacted by a recent negotiation in North Saanich, is expected to result in a new shift pattern that will require increases to certain personnel costs. While the exact amount is not yet known, this budget item provides an estimate of budget impacts over the term of this financial plan.

Beacon Wharf Inspections

Following rejection of a proposal for the replacement of Beacon Wharf several years ago, the Town committed to undertaking an inspection of the Wharf every three years, and carrying out any recommended remedial work based on the results of those inspections. The next inspection is due this year. It should be noted that the recently completed Enhanced Flood Inundation Modelling and Mapping project has no impact on the need to inspect the Wharf at regular intervals. The detailed engineering assessment of the Wharf that occurred in conjunction with the recent replacement proposal had already considered sea level rise impacts. The technical recommendation therefore remains unchanged; that should the Wharf be replaced, it should be at a higher elevation than currently exists.

Bevan Avenue Traffic Study

There is a history of complaints from the public about Bevan Avenue safety, citing unsafe conditions, near misses and drivers not realizing cross traffic on Bevan does not stop. Reviewing crash data from ICBC, there were 13 crashes on Bevan from Fourth to Second from 2020 to 2024. The recent change to 4-way stops on Sidney Avenue has been well received. Although traffic data may not warrant 4-way stops, we expect a consultant may suggest the same treatment for Bevan, citing improved safety for pedestrians.

A consultant report can often assist Council with feeling more confident in making a decision that has a higher profile or public impact, such as changing the traffic patterns on Bevan Avenue. A consultant study will include traffic and pedestrian counts and recommended thresholds for intersection changes. That said, the outcome of the study is likely to be to recommend the installation of 4-way stops, a decision that may be made by Council without a consultant study. A staff recommendation for such a change would be based on qualitative parameters rather than real data, however. Staff do not have the internal capacity to perform traffic and pedestrian counts or to research thresholds and best practices for traffic pattern changes.

Flood Hazard Mitigation/Adaptation Plan

Following completion of the Enhanced Flood Inundation Modelling and Mapping project, staff brought forward a report recommending that Council support two grant applications that would help fund the work of taking flood hazard mitigation/adaptation to the next level. Council was not comfortable with supporting those grant applications without the full context of the financial plan, and referred the decision to the budget process.

Staff have been able to fund the Town portion of the flood hazard mitigation/adaptation project (\$100,000) with non-tax funding (LGCAP grant funding). If this item is approved, staff would bring back to Council the recommendation to support the two grant applications, seeking the remaining 2/3 of funding required to complete the work.

Increased Transfer to Water Infrastructure Replacement Reserve

Recent Capital projects, as well as future projections of need, have identified gaps in the amount of funds we are setting aside annually for Water and Sewer infrastructure replacement. This budget includes increases for both contributions. The recently approved Sewer rate structure includes a phase-in of contribution increases to match the amount of the Infrastructure Levy we collect by 2029.

Capital

While most capital projects are described in the budget documentation, additional comments on certain projects may assist in their consideration. These may be found below, along with some general comments about the capital program.

Infrastructure Plan Projects

Replacement of our infrastructure (Roads, Water, Sewer, Drainage) remains our largest ongoing Capital priority, with over \$21 million of projects included in the 5-year plan. As it stands now in the 5-year financial plan, the infrastructure replacement plan projects included in the budget greatly exceed the balance of funding available in the Infrastructure Reserve. If all projects in the 5-year plan were to proceed as scheduled, the Reserve would be in the red by the end of 2028, would fall further into the red in 2029, but would begin to turn around in 2030.

The Infrastructure Plan was routinely over-subscribed (more projects than money) between 2019 and 2021. We then got a handle on it between 2022 and 2024. Over the last two budgets, however, plans are once again beyond our capacity to fund. However, the magnitude of the overages in this financial plan, as well as the interrelationship with the Active Transportation Plan (ATP), highlight a need to address the issue in more detail.

There are often valid reasons for being over-subscribed.

- Staff are ambitious in the project plans that are brought forward through the budget, as we do our best to take care of our infrastructure and respond to community and Council priorities.
- Inflation drives up projected unit costs for future projects. And construction costs have escalated at rates far above inflation over recent years.
- Several “nice-to-have” projects are included in the plan for various reasons.
 - These may include certain ATP projects, park improvements, and perhaps some infrastructure enhancements that are preferred, but not essential at this time.
- Some projects are advanced to take advantage of opportunities for economies of scale.

Despite occasionally having too many projects in the capital plan than we can realistically fund, we have never gone into the red with our Infrastructure Reserve. We clearly cannot spend beyond our ability. Staying in the black has been achieved by trimming back the number of projects in the subsequent budgeting cycle. That will have to happen again prior to the 2027-2031 financial plan. However, there may also be a need to increase some of our annual reserve contributions. This is already being planned for Water and Sewer. Storm Drainage is another component of our Infrastructure Plans that may require attention. We are likely sufficiently funded on the Surface Works side (paving, sidewalks, curb & gutter), as long as we maintain the discipline of only using the reserve for actual replacement, not additions to the network.

This latter point has been more challenging over the last several years, as demands from the ATP have increased the pressure to find funding where none previously existed. We have done our best to fund additions to our infrastructure network through alternate reserve funding sources, such as CCBF, Amenity, Land Sale, Alternative Transportation, and, more recently, the Growing Communities Fund. However, some of those have been temporary sources of funding, and are drying up.

We have important Capital planning work ahead of us prior to next year’s budget, to set the Town on a more sustainable course for infrastructure replacement. Fortunately, many of the important inputs have been enhanced over the past several years to better inform our work.

- The Asset Management Plan is nearing completion, and aspects of it will be brought before Council for policy decisions.
- The second Pavement Condition Assessment was undertaken in 2025. Results are currently being incorporated into our asset management planning framework.
- The latest round of Underground Utility Modeling was completed in 2025, and we continue to enhance our underground camera investigations on a rotating basis (the network is too vast to achieve this in one year).

The Active Transportation Plan (ATP) is a relatively new enhancement model for the Town. Upon its adoption, staff were instructed to budget an average of \$1 million per year in ATP projects. This has been challenging, as the Town does not have dedicated funding set aside for this purpose. We have been lucky enough to receive one significant grant to support the program, and we will continue to apply for grants where opportunities arise; however, grants can hardly be considered a reliable source of ongoing funding. The ATP has also been funded from some of our temporary and externally sourced reserves. As mentioned above, some of these reserves are finite, and cannot be relied upon over the longer term. Should Council wish to continue to advance ATP projects to the ambitious degree stated, the Town may need to consider some borrowing. Taking on some debt may also be an option for certain Infrastructure Plan projects for which we have insufficient funding, should those projects be deemed essential.

For Council's information, there is over \$6 million in the 2026-2030 financial plan for ATP projects. Some of this work includes borrowing as a potential funding source (total of over \$3.5 million for ATP projects). As always, however, the commitment to take on debt will be a distinct Council decision. If this capital plan is approved with borrowing identified as a funding source, that may be considered a placeholder; the borrowing decision would be revisited prior to actual commitment. The exception to this may be two Roads projects (RDS-26-003 and 26-004). If Council is not willing to borrow for these projects, perhaps they should be deferred to at least 2027 if alternative funding cannot be identified.

More recently, some ATP projects have been added to the project list for our pending DCC Bylaw amendment. This should provide partial funding through a new revenue stream, but it will take some time (likely several years) for DCC receipts to accumulate.

Canora Road Improvements

Canora Road Improvements have been in our Capital plans for some time now. In the current iteration of our budget, the project is spread across 4 years. 2026 and 2027 are slated for design and engagement, as well as some drainage improvements and paving. 2028 and 2029 are for projected construction.

The paving component of this project is essential, as this is one of our roads that is in the worst condition. Some drainage improvements should also be done prior to or in conjunction with the paving.

The more significant cost items in the construction phase include an elevated sidewalk along the entire length of the road (Ocean West to border), complete with curb and gutter, as well as road widening for parking bays, drainage bio-swales, a wider sidewalk and potential separated lanes for active transportation. It is these latter plans that would be unsustainable draws on our Infrastructure Reserve. In addition, certain aspects, such as the road widening, may prove to be unpopular during community engagement. Widening the road would mean that the Town would be taking over a portion of the road right-of-way, which would encroach on areas considered by many adjacent residents to be part of their front yard. Perhaps scaling back some of our ambitious plans, and making use of the Airport-built Flight Path across the street, may be effective ways to keep our Reserve more sustainable. A sidewalk along most of Canora already exists; though it is not elevated, it is separated from the road by an asphalt curb. Certain drainage improvements may help address some seasonal puddling issues along the walkway.

As Canora is a shared road with North Saanich, they would be paying their portion of the paving cost; this cost is in their capital plans.

James White Boulevard Projects

Three James White Boulevard projects are also significant draws on our funding in this financial plan. There are large Storm and Sanitary Sewer projects included for 2028, with the addition of sidewalks the following year. A commitment was made during a period of temporary inconvenience to the neighbourhood (during development in the area) for sidewalk improvements. Some of these improvements are included within the ATP (#13 on the list of priorities). However, it makes sense to complete certain underground works in the area prior to installation of sidewalks, and repaving portions of the road. This underground work may not be of sufficient priority to include in this current 5-year planning period, and may be postponed in the next iteration. This decision will be informed by the most recent Utility Study.

Grant Funding

There are two projects that are dependent on successful grant applications: the Public Works Yard Design and Harbour Road Sewer Pump Station Replacement. Unfortunately, these applications are still pending. If these grants are not received, the projects will require alternative (internal) funding. This would be considered through a separate report to Council once the application results are known.

Public Works Administration Building

In addition to the grant-funded study of the replacement of the aging Works Yard buildings, an additional, related project has been included for 2026: purchase of a new pre-fabricated office module to replace the decrepit Administration trailer (project PWG-26-006 on page 109 of the binder). Even if the Works Yard planning proceeds, it will likely be years before any replacement work takes place. Replacement of the Admin trailer cannot wait that long. With this purchase, addressing the Works Yard as a whole may be delayed by several more years. The purchase would be funded through short-term borrowing (included as a Supplemental item) through the MFA's equipment financing program. The pre-fabricated trailer may be sold in future, when the Works Yard replacement project proceeds, to recoup a portion of the cost.

Town Hall Projects

There are two projects related to the Town Hall in the 2029 Capital plan. These are placeholders while the Town undertakes planning and engagement on the replacement of Town Hall. The Capital projects may only proceed if there is a pressing need due to a delay in the replacement plans.

Fire Vehicle Replacement

The financial plan includes the next major replacement of one of our fire trucks; it is included in 2028 and 2029. However, as the procurement and manufacture of a fire truck take several years, it may be necessary to move up this total budget. Investigation is already underway for this purchase, and approximately \$180,000 may be required in 2026 as a deposit when the purchase order is initiated. If the required information is received, this will be confirmed prior to the final budget meeting; otherwise, it would be covered in a separate report to Council.

General Vehicle Replacement

The reserve for the replacement of Town Public Works and Parks vehicles has taken a significant hit over the past few years, due to two large purchases and a large, post-pandemic general

escalation in vehicle costs. The annual contributions to the Vehicle Reserve, as well as the replacement plan itself, will be subject to close scrutiny over the coming year.

Tax Funded Capital

- In the draft budget, the level of tax funding for capital projects totals just over \$184,000, an increase of about \$58,650 from last year's level. The level of tax funding for capital across this remainder of the 5-year plan is likely too high, and will require attention prior to next year's budget process.
- Any deferral of *tax funded projects* would bring down the 2026 tax increase requirement; however, deferral would just move the funding requirement to a future year, where we already have challenges. Only outright cancellation of a tax funded project would eliminate the ultimate tax impact.
- The funding for all projects is clearly identified. Deferring or cancelling a project that has non-tax funding will not affect the tax increase, unless the non-tax funding is eligible for redirection to tax funded projects. Capital funding sources are outlined on pages 64 through 72 of the budget binder.
- To assist Council in deliberations around tax funded capital, a full listing of tax funded 2026 projects is included as Appendix A of this report. It should be noted that the numbers in the table reflect tax funding only; the projects themselves may be larger in scope, with the inclusion of additional funding sources. A full listing of 2026 capital, with all funding sources, may be found on pages 64 and 65 of the budget binder.
- It must be noted that staff have made every effort to find appropriate non-tax funding for all projects where feasible. This is done each year to reduce the tax impacts as much as possible. The amount of funding remaining in the various reserves represented staff's best estimate when the budget document was produced; the availability of some additional funding may be confirmed throughout the budget process. Conversely, we may have slightly less than anticipated.
- Projects funded from various reserves, such as CCBF, Amenity and Land Sale, are itemized on pages 74-77.

YEARS 2-5

The 5-year financial plan includes the best available information for years 2 to 5 of the plan. Any known or suspected impacts on future years are incorporated, as long as these may be reliably estimated.

Most budget areas for years 2-5 are currently projected to increase by an inflation factor of 2% to 3% overall, which is our best guess of the overall impacts for the next 4 years. This represents our longer-term inflation rate, not the rates that we have seen over the past few years. However, when 2027 becomes the first year of the next financial plan, any such across-the-board increase will be removed, and increases will only be included where required.

The projected tax increases for years 2-5 in the draft financial plan are subject to change as the 2026 budget is approved. A lower increase in 2026 will mean a higher projected impact for 2027, as the second year would begin with a lower "base" level of taxes. As it stands now, the projected tax increases for years 2-5 vary, range from a high of 6.73% in 2027, to a low of 1.87% in 2030. As always, these are only projections; each successive financial plan will be an opportunity to update these projections based on new information and priorities.

It should be stressed that the projected impacts for future years do not include any additional increases to rebuild our balance of Accumulated Surplus. As previously indicated, in a 2025 report dedicated to our Surplus Policy, we have considerable discretion on setting an acceptable level of long-term surplus balance. We also have discretion in the length of time we may use to replenish the Surplus to the desired level. For these reasons, staff have not entered any projected increases dedicated to replenishing Surplus. The current plan is to keep using Surplus for the 2026 budget year to help mitigate the tax increase. We will then reconsider the Surplus Policy – including the level and timing of replenishment – prior to the 2027 budget process.

For the time being, it is important to consider the first two years of this financial plan (2026 and 2027) in combination. A substantial increase this year will make next year's challenge less daunting. Conversely, reducing our projected 2026 impact of 12.4% will make the increase proportionately larger next year. While it may be tempting to try and even out the increase over two years, it would make the overall increase slightly larger. Furthermore, there may be additional impacts for 2027 that we are not yet aware of, which would add to next year's burden.

Also not included in this financial plan is a provision for the Town Hall replacement. While an additional \$50,000 is being sought to continue the planning and engagement work, the Capital cost of a new facility is far from certain at this time. It is anticipated that an estimate may be included in the next financial plan, once the initial round of public engagement has better informed the process.

TAX REDUCTION OPTIONS:

The following options are identified for Council's consideration to potentially reduce the tax impact:

1. Reject or defer one or more tax-funded Supplemental items.
2. Reject or defer one or more tax-funded Capital projects.
 - While it may be tempting to try and find alternative funding for tax funded projects, staff have spent considerable time identifying these sources of funding for as much of the Capital program as possible.

The traditional option of using more Surplus to balance the budget and reduce the tax impact is not recommended this year, for the reasons outlined in this report.

Finally, it should be noted that reducing the tax impact by 1% (i.e. to 11.4%) would only reduce the impact on the average household by \$20 for the year, or about \$1.66 per month.

RECOMMENDATION:

That Council receive this report as additional support and rationale for various items included in the draft 2026-2030 Financial Plan.

2026 Tax Funded Projects		
ADM-08-001	Annual Workspace Efficiency Upgrades	1,240
ADM-24-002	Staff Gym Updates	2,500
COM-09-003	Computer Equipment Fund	5,000
FIR-08-003	Fire Department Equipment	25,195
ENG-08-003	Engineering Equipment	5,525
PRK-08-005	Parks Equipment	3,500
PWG-08-005	Underground Wiring	10,000
PWG-09-002	Public Works Equipment	5,040
RDS-08-010	Downtown Street Lighting	30,000
RDS-22-011	Survey Monument Replacement and Maintenance	10,000
RDS-24-006	Accessibility Improvements	20,000
Annual/Recurring Projects		118,000
POL-21-003	RCMP Flooring Replacement	1,328
PRK-23-004	Lochside Waterfront Walkway Hedge Replacement	20,000
PRK-24-005	Seaport Park - Replace Stairwell to Beach	20,000
PWG-26-002	ArtSea Building - Exterior Repairs	15,000
RDS-26-010	Veterans Crosswalk Repainting	10,000
New Projects		66,328
Total 2026 Tax Funded Projects		184,328