



TOWN OF SIDNEY

REPORT TO COMMITTEE

TO: Mayor & Council
FROM: Andrew Hicik, Director of Finance
DATE: March 16, 2026 **FILE NO.:** 1700-20-2026
SUBJECT: ADDITIONAL BUDGET NOTES

PURPOSE:

To provide additional information to support further consideration and approval of the 2026-2030 Financial Plan.

BACKGROUND:

The Draft 2026-2030 Financial Plan was introduced to Council and the public at the February 17th Committee meeting. Council's first review of the budget occurred on March 3rd.

The draft financial plan started out with a proposed general tax increase of 12.4%. This amount included many items that had not yet been considered by Council, and was only a starting point for budget deliberations.

The higher-than-average increases over the past two budget years are driven by several factors that are outlined in the documentation provided throughout the budget process. The largest factor impacting our budgets is the need to get back to appropriate taxation levels following the pandemic-related tax reductions, and the fact that the temporary funding that was available in the years since 2020 have now been all used up.

During the first review of the budget, Council tentatively reduced the tax increase to 11.76% by rejecting several initiatives and funding certain others from internal reserves. Council also instructed staff to provide options at the next budget meeting to reduce the tax increase to less than 10%.

The agenda for the March 3rd meeting featured a comprehensive staff report, as well as a presentation. Rather than repeating some of the information from that staff report, we are recommending that Council refer to the information contained within it as we move to this next budget phase. This report will list all the changes made to the budget thus far, and will address Council's requests from the previous meeting.

The goal for the March 16th meeting will be to approve the financial plan through a series of Council resolutions covering all components of the budget. However, should an additional meeting be required, it may be scheduled for later this month, with the date dependent on the scope of any additional information requested by Council.

The staff presentation will begin with a brief overview of key factors impacting this financial plan, and a summary of reductions made at the previous meeting. We will then move through the various sections of the financial plan.

DISCUSSION:

Where We Stand

The table below illustrates our starting point for deliberations, and the impact of the various Council reductions on March 3rd.

Opening Tax Impact:		12.40%
Bevan Ave Traffic Study	(25,000)	12.25%
Heritage Options Analysis	(10,000)	12.18%
Computer Equipment Fund	(5,000)	12.15%
Waterfront Hedge Replacement	(20,000)	12.03%
Underground Wiring	(10,000)	11.97%
Downtown Streetlighting from GCF	(15,000)	11.88%
Accessibility Improvements from GCF	(20,000)	11.76%

The above reductions (totaling \$105,000) would lower the tax impact to 11.76%, reducing the impact on the average residence by \$12 (to \$234 for the year, or \$19.50 per month).

Information to support the additional reductions requested by Council will be provided below. Please note that we'd need an additional \$290,000 in reductions in order to bring the tax impact below 10%. All the options for further reductions will be summarized near the end of this report.

Additional Projects Removed from Budget by Council

The following projects were removed by Council from the Capital budget. Removal of these items has no direct impact on property taxes. Removal of the first two projects helps reduce reserve depletion by leaving more funding in the reserves. The third project is deferred by a year, with a portion of the 2026 funding available for reallocation to other projects.

1. RDS-15-006-Infra Plan - Seventh Street Sidewalk, from Brethour Avenue to Henry Avenue
2. RDS-19-012-Infra Plan - Sidewalk, Curb, Paving - Malaview Avenue, from Fifth Street to Resthaven Drive
3. for RDS-25-011-White Birch Road Cul-de-sac Improvements, be deferred.

Addressing Council Resolutions

That staff report back with suggestions of how the \$93,000 of Canada Community-Building Fund funding for RDS-25-011-White Birch Road Cul-de-sac Improvements can be applied to tax funded projects for 2026.

This project was already on staff's radar, as information obtained after budget production identified a discrepancy in the Town portion of the project; this would have been corrected at the bylaw stage. Rather than the \$203,400 included in the draft budget, the Town share of the project should have been only \$104,800; the remainder would be the responsibility of the developer. Funding for this reduced project is from capital carryforwards (\$60,000), and the Infrastructure Reserve. The project will now be deferred to 2027 with those funding sources.

The \$93,000 in CCBF funding may be reallocated. Staff are suggesting that these funds be used for a Water or Sewer infrastructure project, to help maintain the balance in these reserves. There are very few tax funded projects remaining that would fall under the wide umbrella of eligibility for use of CCBF funds.

That staff report back with options for reducing park improvements and allocating funds to other projects.

Council had questions about the three largest Parks projects in the 2026 budget. Staff comments, organized by project, are included below.

Rathdown Park

The budget for this project may be broken down into the following components:

- Drainage improvements - \$179,000
- Washroom - \$233,000 to \$303,000 (depending on standard)
- Sport Court - \$140,000 (RFP for pricing is pending).

In addition to the above, staff would suggest a future budget of about \$80,000 for walkway repair and widening to make the park amenities more accessible.

General comments:

- There are efficiencies in constructing the washroom servicing, building foundation and sport court during the drainage improvement work. The spoil materials from the excavations can be disposed of onsite (used for site grading). This reduces trucking and disposal costs.
- Considering the somewhat limited budget, the drainage and sport court may have priority over the washroom.
- Alternative, less costly washroom facilities could be considered to save costs (screened portable toilet, pit toilet). A fully serviced washroom would require a very long service connection.
- Costs do not include any new park furniture.

Philip Brethour Park

The budget for this project may be broken down into the following components:

- Parking and Sidewalk/Curb Improvements - \$258,600
- Sport Court - \$222,000 (RFP for pricing is pending).

General comments:

- Future Washroom not included in original concept – although staff have considered how a future washroom could be serviced in future.
- Connecting to the VAA sewer on Ocean W would be the most cost effective option; however, VAA have raised concerns that their sewer does not have capacity. Alternate sewer service is very long (175m) with higher costs in the range of \$75k-\$80k. Water service for a future washroom is easily accessible. Power, if required, would be very costly, as there is no BC Hydro infrastructure nearby (closest Hydro is at Epco Drive). A solar alternative for lighting should be considered, if required.
- Alternative, less costly washroom facilities could be considered to save costs (screened portable toilet, pit toilet).
- Costs do not include any new park furniture.
- Please note: there is some overlap in the sidewalk costs between this park project and the Ocean Avenue Sidewalk project described below (RDS-26-004). This overlap would be addressed (and cost estimates for one project reduced) when the designs are undertaken.

Tulista Park Picnic Shelter Replacement

Staff recommend keeping this project in the 2026 Capital plan, as the work is covered under our open archaeological permit. Delaying to a future year would cause the Town to incur additional costs and time to obtain new permitting.

The intention of looking at the details of the above projects was to potentially free up some funding that may be allocated to other projects to reduce the tax impact for this year. While some GCF funds could be made available by reducing the scope of one or more of the park projects, there is very little remaining scope for funding tax-funded Capital projects from GCF. Staff recommend approving these projects as is. If these park projects do not proceed now, with partial GCF funding, new funding sources would have to be identified in future.

That staff report back with information on reducing the 2026 contributions to Reserves and 2026 Capital Plan.

When considering the reserve contribution with the least short-term impact, the staff recommendation would be to reduce the 2026 contribution to the Surface Works (paving, sidewalks, curb & gutter) portion of the Infrastructure Reserve. This is the component of the reserve that is in the best shape. A one-time reduction of \$290,000 would reduce the overall tax impact below 10%, while keeping this portion of the reserve in the black *for the duration of this 5-year plan*. It must be emphasized that a longer-term look at the funding needs from this reserve indicates that there are significant paving needs beyond the current 5-year planning horizon. For that reason, the reduction should be one time only. Consideration will be given in future budgets for potential increases to annual contributions. That will certainly be the recommendation for all of the underground portions of the Infrastructure Reserve (Storm, Sanitary, Water).

Two other reserves were the subject of comments at the last budget meeting: Computer Equipment Replacement and Vehicle Replacement. These will be discussed below, with a recommendation that the annual contributions be left intact.

Computer Equipment Replacement

Staff were asked to consider the replacement cycle for computer equipment, as there is about \$770,000 in the budget, over 5 years, for renewal of our network equipment. Please note that the Town depends heavily on reliable computer equipment to maintain productivity; a reliable network is mission critical. Some departments rely on high processing power for engineering, mapping, data analysis and real-time tasks related to life-safety.

We currently manage our desktop computers using a 3-year replacement lifecycle. In the renewal year (would have been 2025), we evaluate the condition and performance of our hardware to determine whether extending the lifecycle for one additional year is feasible. In the past, when hardware performance and reliability allowed, we have successfully extended certain renewal cycles to four years. This has been the case over the last 3 replacement cycles, but best practice still dictates that we perform that evaluation in the 3rd year. Our current workstations were originally purchased in 2022. Based on last year's assessment, which showed the devices were still performing well, we extended their lifecycle into 2026.

Aging computers show significantly increased failure rates and reduced performance after year three. These failures cause unplanned staff downtime and require IT to divert resources to

emergency troubleshooting, procurement, and setup. Global supply chain pressures—especially ongoing semiconductor shortages—are also pushing hardware costs higher year over year.

In addition, many staff currently use two devices (desktop + laptop/Surface) under the previous computer hardware model. The updated computer hardware lifecycle plan will transition key staff to a single laptop-based workstation, reducing the total number of devices the Town must purchase and support. By transitioning appropriate staff to laptops as their primary device, the Town can eliminate secondary computers for mobile work, reduce overall device counts, and lower long-term support, maintenance, and replacement costs. Additionally, staff are transitioning to computer based phone systems (voice over internet protocol) which will reduce land-line phone service costs while increasing flexibility and operability.

Over the past decade, we have successfully maintained a 4-year life cycle; pushing that further could have significant negative side effects.

The annual contributions to the computer hardware and software reserve were over \$100,000 about 10 years ago. They were then reduced to \$90,000 for several years, as the software component was deemed to be unnecessary at the time. The annual contributions have been rising very gradually, budgeted to reach \$120,000 in 2027 (\$115K this year). This is mostly due to the anticipated need to replace some critical financial software within the next few years.

Vehicle Replacement

It should be noted that this reserve begins the year with a negative balance. And, at current contribution levels, it would end the 5-year planning horizon further underwater. A modest increase of \$15,000 in reserve contributions is included this year, and also in 2027. This may only be a start in getting this reserve to where it needs to be. Even with a number of potential fleet reduction initiatives, the costs of our vehicle replacements have been deeply impacted by recent cost escalations and supply chain disruptions. Moving more of the fleet to electric would likely make it worse, as the cost of electric options (if those options exist at all for the type of vehicles we require) tends to be higher. Currently, very little of our fleet may be replaced with electric options; but we are keeping our eyes on the market, and taking advantage where we can.

Staff have reviewed the plans for 2026 and have concluded that one replacement may be eliminated (saving of \$100,000), and four more replacements deferred (\$185,000) pending further review. Eliminating one Parks vehicle was made possible through the addition of two electric utility vehicles (gators) to complement our seasonal auxiliary staff in Parks, as well as combining staff maintenance assignments to two-person teams, rather than individuals, which creates efficiencies within fleet assignments. While these changes create some efficiencies, they also reduce our responsiveness to operational events that may arise throughout the day. A total of 5 vehicles or other large equipment will be replaced this year (a reduction from 10).

Staff will continue to analyze and monitor the fleet for additional changes as an ongoing process. It should be noted, however, that we are responsible for a considerable amount of maintenance and construction, and a certain amount of heavy equipment will always be required. While it is possible to reduce the number of specialized vehicles and equipment in Town possession, that does not necessarily mean that costs will be reduced. Contracted equipment is often just as expensive, and reliance on external contractors reduces our responsiveness and effectiveness. That being said, we have, for many years, contracted out most of our trucking and excavation services to reduce the need to have this heavy equipment in place. This is only effective where the availability of these resources – when we need them – is virtually assured.

Addressing Council Questions

In addition to the above formal resolutions, Council, over the course of the meeting, raised several questions and comments for staff to investigate and report on. These will be identified and discussed below.

1. RDS-26-004-Infrastructure Plan – Ocean Avenue W Curb and sidewalk, from Brethour Park to Barnes

Council suggested that the scope of this project be reduced from the original length, which was from Canora to Barnes. Doing so would reduce the construction cost from \$1.2 million to approximately \$516,000. The 2026 budget includes design only. Funding for the future construction in 2028 is currently shown as long-term borrowing, but that may be updated in future budgets. Another, lower-cost alternative would be to create one or more safe crossings to the Flight Path, rather than building sidewalks along the south side of Ocean West. However, this would go against the objectives of the ATP. This sidewalk project is #8 on the ATP priority list, and the most expensive item on that list.

2. RDS-19-002-Canora Road Improvements, Ocean Avenue – Summergate Blvd

The 2026 budget includes \$100,000 for design and engagement. The most critical components are repaving and drainage improvements. However, both of these will be impacted by the scope of the additional potential improvements to the sidewalk, curb and gutter, road widening, etc. Staff recommend maintaining the existing budgets in the 5-year plan and perhaps adjusting once the conceptual designs and consultation have been undertaken.

3. RDS-25-011-White Birch Road Cul de Sac – re: amenity contributions

This deferred project was previously discussed above. In addition to that information, staff were requested to provide details about the amenity contribution anticipated from the development at 2060 White Birch Road. This future amenity contribution, which would be collected at the building permit stage, is estimated at \$257,400. The amount is subject to adjustments once the final plans are in place, as the value of the amenity payment is based on the bonus floor area above the base maximum FAR stated in the CD37 zone, which is the zoning for this property.

4. RDS-25-001-Pathway Improvements, between Beacon Avenue West to Jahn Place

Staff have now confirmed that these improvements will be the responsibility of the developer. Therefore, this project may be removed from our Capital plan. With this removal, \$60,000 of Amenity Reserve funding may be reallocated; however, please keep in mind that in the absence of future developer contributions, this reserve will have a negative balance after 2029.

Additional Considerations Identified by Staff

Staff have identified another potential change that would further reduce the tax impact for 2026. Project PWG-26-006 - Pre-Manufactured Office Module for Public Works may be deferred by a year. We currently have a grant application pending for assistance with longer-term site planning for the Works Yard. If the grant application is successful, waiting for a more complete replacement plan may make more sense than proceeding at this time with this purchase. If not successful, or if early planning work indicates that a more complete replacement may take too long, the Office Module may be pursued as early as 2027.

Staff have discovered two small errors in the budget materials that should be corrected.

1. The Supplemental request from Peninsula Celebrations is indicated as an ongoing, annual item; it should be classified as one-time only. This reduces the annual budget by \$5,000, starting next year.
2. One of the Capital schedules incorrectly identifies Borrowing as the funding source for project RDS-26-004 - Infra Plan - Ocean Ave W Curb and SW, Canora to Barnes. This should, instead, be funded from the CCBF reserve, as identified in the separate schedule listing all CCBF-funded projects (binder page 74).

This correction would leave only one 2026 Capital project that is currently funded from long-term debt: RDS-26-003 – Fifth St. Sidewalk & Curb, Malaview to Amelia. This project – which was included in the financial plan because it was the highest remaining priority sidewalk in the ATP – was considered for removal from the budget; however, the motion to remove was defeated in a 3:3 tie vote. In order to remove the last portion of long-term borrowing in the 2026 Capital plan, this project either needs to be removed (or deferred) or an alternate funding source identified. Staff would suggest that this project be compared in priority to the Resthaven Sidewalk – Ardwell to Calvin (west side), which is slated for 2027 (5th priority on ATP sidewalks list). Only one of these projects may proceed within available funding; if Fifth St. is considered the priority, the CCBF funding from Resthaven may be moved over to Fifth (and Resthaven put on hold for now).

Advance Fire Vehicle Purchase

The Capital plan shows the next fire truck purchase being completed in 2028 and 2029. As the procurement cycle for these trucks is 3-4 years, a 10% deposit must be made when the order is placed. The initial portion of the budget must be advanced to 2026, and the amount updated to \$192,600 to account for PST. The amount for 2029 should be increased to \$1.7 million.

This purchase replaces an older truck that has become costly to maintain, and was never intended for the volume of use that we have seen over the past several years.

Additional Information

Reiterating Capital Challenges

The staff report on March 3rd discussed the necessity of carefully reviewing our Capital plans and needs ahead of the next budget. With some of the key supporting work now in place, or nearing completion, staff will be spending considerable time ahead of next year's budget in carefully prioritizing infrastructure replacement plans for Council's consideration. This may include longer-term recommendations for annual reserve transfers.

Many of the projects in our Capital plan may be considered by some as “nice-to-haves”. Among these may be certain park improvements, as well as Active Transportation Plan projects. However, it should be acknowledged that these improvements are seen by many as important enhancements to our community. While it may require more funding than we currently have, if there is a strong desire to advance initiatives in our ATP and Parks Master Plan, additional sources of funding may have to be pursued.

In 2023, following adoption of the ATP, the following resolution was passed by Council:

2023.30.366 Moved by Mayor C. McNeil-Smith, seconded by Councillor S. Duck, that \$1million per year be budgeted for sidewalk and intersection improvements.

MOTION CARRIED UNANIMOUSLY

As this is an active Council direction, staff have responded by including over \$1 million per year in this financial plan. Should Council wish to revisit this direction, staff would come back with recommendations for the most urgent ATP priorities, as well as potential funding options.

Why Are We Here?

While some may frame this as profligacy or inefficiency, the fact remains that we have known for years that we would have to phase back to full, sustainable taxation levels once all of our temporary funding was exhausted. We are at a point where we can no longer push this demand down the road; doing so will make the future challenge more difficult. If this year's tax revenues are reduced, we'll have to have a larger increase in future years to make up for it and ensure our services are properly funded for the long term. To some, that is the proper definition of fiscal responsibility.

Focus on Dollars, not Percentages

While percentages will always be mentioned when considering any increase, stating the impact of the increase in terms of dollars rather than percentages is more meaningful and may be less concerning. While an increase of 10% may seem significant, putting it into the context of \$16.57 per month for the average residence makes it easier for a typical resident to understand.

Taxes collected for the other agencies included on the tax bill are, of course, not included in that figure. When these are added on (and we do not yet have these figures) the dollar impact will increase (though the overall percentage would then most likely decrease).

Context for Grant Recommendations on Agenda

Please note that there will be two recommendations listed on the Council agenda relating to grant applications for the development of a Coastal Flood Hazard Mitigation and Adaptation Plan. When staff sought resolutions in support of these grant applications late last year, the matter was deferred to budget deliberations. This was done in anticipation of this project having a tax impact. Staff have identified LGCAP funding for the Town's projected share of this initiative; therefore, if the project is approved as a Supplemental, we must revisit the Council resolutions required for our grant applications.

The following provides the financial details from the December 2025 staff report:

Based on preliminary estimates, consultant costs for developing the plan would range between \$200,000 and \$300,000 depending on the scope of work. Staff recommend applying for the 'Climate-Ready Plans and Processes' funding stream offered by the FCM which will cover up to a maximum of \$70,000, and the 'Foundations of Disaster Risk Reduction' funding stream under the 'Community Emergency Preparedness Fund' offered by UBCM which will cover up to a maximum of \$150,000. The next intake for these programs is expected in Spring 2026.

Based on this information, the Town's share may ultimately be less than \$100,000; however, the project is budgeted conservatively. Should these grants not materialize, staff would return to Council with scope and funding recommendations.

Summary of Proposed Change Recommendations

Tax Impacts

The following items are proposed for removal or deferral from the budget, by resolution:

1. One-time reduction of \$290,000 to the Surface Works portion of the Infrastructure Reserve.
2. Defer the Pre-Manufactured Office Module for Public Works (PWG-26-006) by a year; this would include the debt servicing in the Operating budget.
 - No short-term borrowing for the Capital purchase, reducing operating budget (for debt payments) by \$32,200 in 2026, and \$64,400 in 2027.

Resolutions Required

The following items discussed in this report will require Council resolutions, should Council agree with staff recommendations. If not, alternate recommendations may be required.

1. Reallocate \$93,000 of CCBF funding from RDS-25-011 to WAT-25-001 - Weiler Watermain Replacement, to replace a portion of the Infrastructure Reserve funding.
2. That the Vehicle Replacement budgets be reduced by \$285,000 for 2026.
3. That the 2028 budget for RDS-26-004 - Infra Plan - Ocean Avenue West Curb and Sidewalk be reduced to \$516,000, with the scope reduced to Philip Brethour Park to Barnes Place only.
4. That the funding for RDS-26-003 - Fifth St Curb and Sidewalk, Malaview to Amelia be changed from long-term borrowing to CCBF Reserve; and
 - That funding sufficiency for the Resthaven Sidewalk – Ardwell to Calvin be reviewed prior to next year's budget.
5. That the budget for FIR-08-004 - Fire Vehicle Replacement Plan be amended to reflect \$192,600 in 2026 and \$1.7 million in 2029.

Housekeeping

The following items will be modified by staff as administrative changes to the budget; no Council resolution is required.

1. Peninsula Celebrations Supplemental request to one-time (not ongoing)
2. Correct funding source for RDS-26-004.
3. Remove RDS-25-001 - Pathway Improvements - Beacon Avenue W. to Jahn Place from the budget.

Final Resolutions Required

What is ultimately required to approve the financial plan is a series of resolutions approving the various components of the budget. For this purpose, the budget is organized into the following components:

- Water Utility budget
- Sewer Utility budget
- General Operating budget (including Supplementals)
- Capital budget.

Over the course of the budget meeting, we will go through each of these components in turn. Additional changes within each area should be made by resolution. Once all changes within a section of the budget are completed, a motion such as “*That the General Operating budget be approved as amended*” would be the final step. A similar motion would be required for each of the other three components above.

RECOMMENDATION:

That Council receive this report for additional information to support budget approval.