

COUNCIL REPORT

Date: December 19, 2025
File: 2.10.3.1
To: Warren Waycheshen, CAO Mayor and Council
From: Sue-Lin Tarnowski, Director of Finance
Re: 2026 Budget Deliberations – Report 1
Applicant: N/A
Location: N/A



Recommendation:

Action: That Council provide input on the 2026 budget, community grants, and capital items.

Recommended Motion:

THAT the 2026 Budget Deliberations - Report 1 dated December 19, 2025, and staff presentations be received for information.

Background:

Staff are presenting the 2026 budget for Council consideration. As Council directed, this budget strives to deliver a reasonable property tax increase for our residents, businesses and industry. However, the preparation presented challenges such as the cumulative impacts of inflation, rising operating costs, and the maintenance of aging infrastructure.

The Director of Finance and the CAO will provide an overview of the budget and revenues, followed by presentations on operational budgets and reserves. Capital projects will be discussed after the operational and reserves presentations have concluded.

Staff recommend that Council discuss the presentations, provide direction as deemed necessary, and receive the budgets for information. Council may choose to approve all or some of the community grants at this time or defer approval. Capital projects requiring early approval and the operating budgets will be brought forward for approval at the end of January 2026.

Detailed budget documents are provided in this binder and we ask Council members to have it at each budget meeting. Any new pages or updates can be added to the binder, providing Council one location to store all budget papers.

Staff consistently seek internal efficiencies before bringing forward any proposal for a tax increase. Despite these efforts, unavoidable cost pressures including wages, materials, and utilities, combined with growing expectations for enhanced service levels, make it increasingly difficult to avoid an annual tax increase.

The 2026 Draft Financial Plan has been developed to maintain existing service levels for taxpayers while incorporating incremental operating expenditures required to support newly added capital infrastructure. The Draft Financial Plan includes a proposed general tax increase of 4.79%. To achieve this level of tax increase, staff collectively reviewed and reduced operating expenditures wherever practicable. Both funded and unfunded capital projects are included in the Capital section of the binder for Council's consideration.

Alternative Options:

1. If Council wishes to make any amendments to the plan during the meeting the following motion is offered for Council consideration:

THAT (TBD) be (removed/added/reported back) for the 2026 budget.

Budget Implications:

Property Taxes:

The Draft Budget incorporates a proposed 4.79% increase in municipal property taxes for initial discussion. This increase applies to all properties except LNG Canada, which is subject to a tax agreement in place until the end of 2028. The District also anticipates new property taxation revenue associated with the Cedar LNG project. A preliminary assessment has been included in the Utilities (Class 2) taxation calculation, resulting in estimated additional revenue of \$57,860 for 2026.

For reference, every 1% increase in property tax rates increases property tax revenues by about \$410,000.

Residential Flat Tax:

In 1990, the *Municipal Act* was amended to allow for the residential flat tax system. The residential flat tax amendment was repealed in 1992, but municipalities using the system were permitted to continue using it. The flat tax has been used here for over 30 years and is an established part of the property taxation system. Please note, once a local government ceases using the flat tax, it cannot be reinstated in the following years. Staff will bring forward options and analysis for consideration in early 2026 when property tax rates are finalized.

Solid Waste Collection Fees Refuse Rates:

Residential refuse curb-side collection rates are \$146 annually (last increase was on January 1, 2022). Prior rates were \$120 in 2021, \$95 in 2020, and \$62 in prior years.

Solid Waste Disposal Landfill:

The fees for depositing of Solid Waste at the District's Landfill were introduced in November of 2023 and most fees are scheduled to increase each January 1 until January 1, 2027.

The Residential self-haul minimum charge fee increased from \$5 (2024) to \$10 (2025) for loads up to 100kg and this fee is scheduled to remain at \$10 until 2027.

The tipping fees for all solid waste categories are scheduled to increase each year until 2027. For example, tipping rates for garbage are increasing from \$100/tonne to \$110/tonne in 2026.

The new fee increase amounts are included in the current year revenues. Tipping fee revenues to offset Landfill costs are budgeted at \$1,100,000 for 2026. (\$625,000 in 2025).

Water Rates:

In April 2025, Council approved an increase of 25% to residential and commercial water fees (12.5% increase in 2025 and 12.5% for January 1, 2026). Both water and refuse curb-side collection fees are billed on the property tax notice. Commercial water charges are invoiced separately.

The Water System Upgrade is projected to be completed in September 2026. Upon completion, the operational budget will increase by approximately \$175,000, primarily due to the addition of one Water Treatment Technician and incremental chemical usage. The project is funded through \$13,500,000 in debt, which will result in \$779,520 in debt servicing costs for the full year of 2026.

Commercial Use Patios on Public Lands policy fee reduction:

Previously Council relaxed the administrative requirements and approved a 50% (2020) and 100% (2021 - 2024) reduction in fees for restaurants that may wish to use District lands for outdoor service. In Kitimat, there was one company that utilized the opportunity and Council may wish to extend for 2026 as it provides an option for establishments and any lost revenue would be minimal. If this is the direction the following is provided for consideration:

THAT the fees be waived for Public Land Policy C-27 for 2026 (or another amount determined by Council).

If Council does not wish to extend the reductions for 2026 no action is required.

Expenses:

Wages and benefits:

Overall increase in total wage expense is 5.2% which takes into account net new positions, existing Unifor collective agreement increases and estimates for other employees.

Other expenses:

Community Grant Requests:

Community groups presented their budgets on November 12, 2025 (the Museum on December 1), with amounts referred to the budget process included in this document. The Mount Elizabeth Cycling Association (MECA) has requested their previously approved budget of \$250,000 be carried forward to the 2026 budget process. Most groups stayed within the requested 2.6% increase; however, there were some new and one-time requests which are detailed on the *Community Grants* budget sheet. The total community grant requests for 2026 are \$2,959,441 (\$2,803,878 – 2025).

Once discussion is complete, if Council is prepared to consider any grant requests for approval the following is put forward for consideration:

1. If Council wishes to approve all of the Community Group grants as presented in the budget binder, the following is provided for consideration:

THAT the 2026 operating grants to community groups, as listed in the 2026 budget binder, be approved.

2. If Council wishes to consider each grant individually or only certain grants at this time, as was done in 2025, the following is put forward for consideration:

THAT the (group requesting the grant) operating grant request in the amount of (to be determined) be approved for the 2026 budget.

3. If Council is not prepared to approve any grants at this time, no action is needed.

4. Any specific grant requests may be further discussed by Council. Staff can provide wording for motions depending on the direction.
5. Another option as decided by Council.

Reserve Balances:

The “Reserves” tab provides the balances of the reserve funds. Council is advised that reserve balances have declined to very low levels and are insufficient to adequately address future capital requirements, unforeseen expenditures, or financial risks. The 2026 draft financial plan does not include provisions to replenish reserves, other than those noted below to support planned equipment renewal.

At this time, the only reserves receiving funding from current-year revenues are the Large Equipment – Public Works, Fire Equipment, Large Equipment – Leisure, and Computer Equipment reserves. The proposed transfer of \$1,740,000 to reserves is required to support equipment acquisitions in the current and future years for Public Works, the Fire Department, Leisure Services Department as well as to maintain the capital level of the District’s Information Technology infrastructure.

Details of the proposed equipment acquisitions are included in the capital section of the binder. The Canada Community Building Fund (formerly the Federal Gas Tax Fund) receives annual funding of approximately \$435,000, and the Northwest BC Regional Funding Agreement is discussed below. Other reserve funds are not actively funded, and the Northern Planning & Capital Grant and the Growing Community Fund were one-time grants provided by the Province.

The District receives \$3,910,364 annually from 2024 – 2028 (\$19,551,818 over the five-year period) from the Northwest BC Regional Funding Agreement (i.e. RBA). Council approved a total of \$16,838,421 from the RBA funds for 2025 – 2028. For 2026, Council previously approved the following capital items and one operational item totalling \$6,685,000. This does not include the Kitimat Valley Housing Society serviced road estimate of \$5,000,000 and this project will be discussed with the other capital requests during the deliberations:

1. Water Treatment Unit Construction (\$460,000)
2. Detailed Design for Public Safety Building Replacement (\$1 M)
3. Spray Park Construction (\$1.5M)
4. Pool Duct Sox Replacement (\$425,000)
5. Pool Sand Filter Replacement (\$600,000)
6. Pool Heat Pump Replacement (\$750,000)
7. Annual Walkway Reconstruction Program (\$600,000)
8. Haisla Boulevard to Nalabila Boulevard Walkway (\$700,000)
9. Street Reconstruction Program (\$200,000)
10. Eco Depot Design (\$300,000)
11. Indigenous Relations Manager initiatives, operational expense (\$150,000)

Other grant and reserve capital projects include:

Grant (Canada Community Building Fund, previously called the Federal gas tax)

1. Leisure Services Trail Master Plan (\$65,000)
2. Riverlodge Senior Centre Ramp Slab Design (\$35,000)
3. Riverlodge Secondary Electrical Service Upgrade (\$250,000)

Reserve (Reserve for Future Expenditures)

1. Sam Lindsay Aquatic Centre Emergency Lighting Replacement (\$150,000)
2. Courthouse Roof Replacement (\$250,000)

The reserve funding is reallocation from other previously approved and completed capital projects.

Reserve (Roads and Bridges)

1. Smith Street Slopes Temporary Stabilization (\$700,000)
2. Kitimat Valley Housing Society serviced road design (\$750,000). Staff estimated the design cost of the fully serviced \$5,000,000 road to be 15% of construction.

Reserve (Sewer)

1. Wozney Street Drain Improvements (\$50,000)

Reserve (Water)

1. Gull Street Autoflusher (\$75,000)

Unfunded 2026 Capital Budget Items

Currently no taxation funded capital projects are included in draft 1 of the budget. A list of unfunded capital projects with the associated operational risk assessment and impact is included in the capital section of the budget binder.

As presented, the capital projects are fully grant funded, but no “below the line” projects are included and the 2026 road work will be limited to the \$1,250,000 operational budgets allocated for the Kuldo Boulevard extension.

Budget Implications: Establishing the 2026 Municipal budget.

“SLT”

Director of Finance Initials

Budgeted:

Unbudgeted:

Council Initiative/Other Relevant Plans:

The annual budget provides the direction for District operations.

Strategic Plan (2023-2026)

Considered in the operational and capital budgets

Joint Strategic Plan for Haisla Nation Council – District of Kitimat (2024-2029)

Considered in the operational and capital budgets

District of Kitimat and Haisla Council Friendship Agreement - gi guálap nis

Considered in the operational and capital budgets

Community Energy and Emissions Plan

Considered in the operational and capital budgets

Housing Action Plan and Needs Assessment

Considered in the operational and capital budgets

Kitimat Age-Friendly Assessment Report and Action Plan

Considered in the operational and capital budgets

Kitimat Cycle Network Plan

Considered in the operational and capital budgets

Kitimat Poverty Reduction Strategy

Considered in the operational and capital budgets

Leisure Services Master Plan

Considered in the operational and capital budgets

Minette Bay West Concept Plan

Considered in the operational and capital budgets

Official Community Plan (and Downtown Design Guidelines)

Considered in the operational and capital budgets

Solid Waste Action Plan

Considered in the operational and capital budgets

Water Conservation Plan

Considered in the operational and capital budgets

BC Transit Future Services Plan

Considered in the operational and capital budgets

Economic Development Strategic Plan (2023-2029)

Considered in the operational and capital budgets

“Sue-Lin Tarnowski”

Submitted by

Sue-Lin Tarnowski, Director of Finance

“Warren Waycheshen”

Approved for Submission

Warren Waycheshen, CAO