



## INFORMATION ONLY COUNCIL REPORT

To: Paul Gipps, CAO

Date: November 22, 2022

From: Warren Everton, Director of Finance/CFO

Subject: **2023 Budget Primer and Timelines**

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### STRATEGIC AREA(S) OF FOCUS

**Invest in Infrastructure** – We will invest in building, improving, and maintaining quality infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

**Economic Growth and Prosperity** – We will work with our partners on the Westside and throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

**Foster Safety and Well-Being** – We will pursue through direct action, advocacy, and partnerships with Westbank First Nation and local service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna

In summary, **Invest in Infrastructure** and **Economic Growth and Prosperity** are the two areas of Strategic Priorities that financial planning routinely touches. For 2023 this is again the case, however with the proposal to increase Police Services spending by adding two RCMP Members, priorities within this budget also reflect the **Foster Safety and Well-being** and Strengthen our community pillars.

### BACKGROUND

Work started on the 2023-2027 City of West Kelowna 5-Year Financial Plan this past August and is on track after achieving all milestones on the lead-up to budget deliberations. The highly anticipated deliberations and first reading of the Financial Plan Bylaw take place on December 13<sup>th</sup> and 14<sup>th</sup> and are found in the Budget Guidelines 2023 document. A summary of the timelines are as follows:

### Timelines to Date:

#### August:

- Distribution of the departmental budget worksheets to Managers
- Directors/Managers Ten-year Capital Plan review

#### September:

- Departmental budget workshop meetings
- Capital and supplemental request submitted and reviewed by Finance

#### October:

- Finance review of departmental worksheets with Managers
- Finance consolidated budget revisions and sent to Managers for final comments

#### November:

- CAO, CFO, SMT review and approval of:
  - Budget supplemental requests
  - Capital requests
  - Financial plan early indicators – revenues, expenses, growth, discretionary funds and indicated tax effect

### Upcoming Timelines:

#### November:

- Budget Primer with Council November 22<sup>nd</sup>
- Budget to be delivered to Council November 25<sup>th</sup> - 30<sup>th</sup> (last minute updates)

#### December:

- Budget deliberations December 13<sup>th</sup> and 14<sup>th</sup>
- First reading of the Financial Plan Bylaw by December 14<sup>th</sup>
- Council to consider early capital and operating approvals with phased approach – i.e., list of approvals required upon 1<sup>st</sup> Reading, a further list required after public consult and the remainder of approvals at adoption

#### January:

- Council review of Grant-in-aid applications – proposed for January 10<sup>th</sup> before the regular meeting
- 2<sup>nd</sup> Round of Budget deliberations to consider service levels above base budget on January 24<sup>th</sup>

#### January/February:

- Public engagement and feedback for Council consideration January 30<sup>th</sup> to February 10<sup>th</sup>. Summarize feedback between February 13<sup>th</sup> and 24<sup>th</sup>

March:

- 2<sup>nd</sup> and 3<sup>rd</sup> readings of the budget – by March 8<sup>th</sup>
- Annual Audit runs concurrently through March

April:

- Adoption of the Financial Plan Bylaw – estimated for April 11<sup>th</sup>
- Tax ratios and tax bylaw – three readings and adoption by April 25<sup>th</sup>

May:

- Five-Year Financial Plan due to Provincial Ministry by May 15<sup>th</sup>
- Audited Financial Statements also due by May 15<sup>th</sup>

Planning for the December 13<sup>th</sup> and 14<sup>th</sup> Budget Deliberations:

December 13<sup>th</sup>

- Overview of Schedule A Summary of 5-Year Financial Plan
- Review of Departmental variances
- Summary of Supplemental Requests for FTE positions approved by CAO

December 14<sup>th</sup>

- Overview of ten-year Capital Plan
- Review of capital requests for 2023-2032
- Review of funding model – Reserves, DCCs and debt
- 1<sup>st</sup> Reading of the Financial Plan Bylaw
- Council consideration of early approval capital and operating requests

**FINANCIAL PLAN DOCUMENTS**

For 2023 the format of the Financial Plan will be relatively unchanged from 2022. For reference at this time the 2022 plan and public consultation summaries continue to reside on the City's website under city-hall/budget. The format will be presented as follows:

Summary Page - Summarizing Overall Tax Increase, Growth and Special Levy

Schedule A – Consolidated Summary of Revenues and Expenses

Schedule B1 and B2 – Detailed Revenue and Expense

Schedule B3 – Capital Summary

Schedule C – Water Utility Revenue and Expense

Schedule D – Sewer Utility Revenue and Expense

Departmental Budgets – Detailed Revenue and Expense

Variance Analysis by Department

Supplemental Requests – Operating and FTE (Full Time Equivalent Positions)

Grant-in-aid – Summary and Detailed Requests

10-Year Capital Plan – Summary and Detail by Department

Capital Request Forms including Business Cases and Background Documentation

Reserve and DCC (Development Cost Charges) Balances

## **FINANCIAL INDICATORS 2023**

The Draft Five-Year Financial Plan is taking shape after bringing together all the departmental revenues, expenditures, transfers to reserve and Capital planning and funding. Department managers were challenged to look for ways to keep their budgets flat and they were quite successful allocating funds where they were most needed while removing budget funds from underutilized areas. The financial planning culture of the organization has become very collaborative over time with unified goals and a true team approach to the budget.

### **Proposed Operating Budget:**

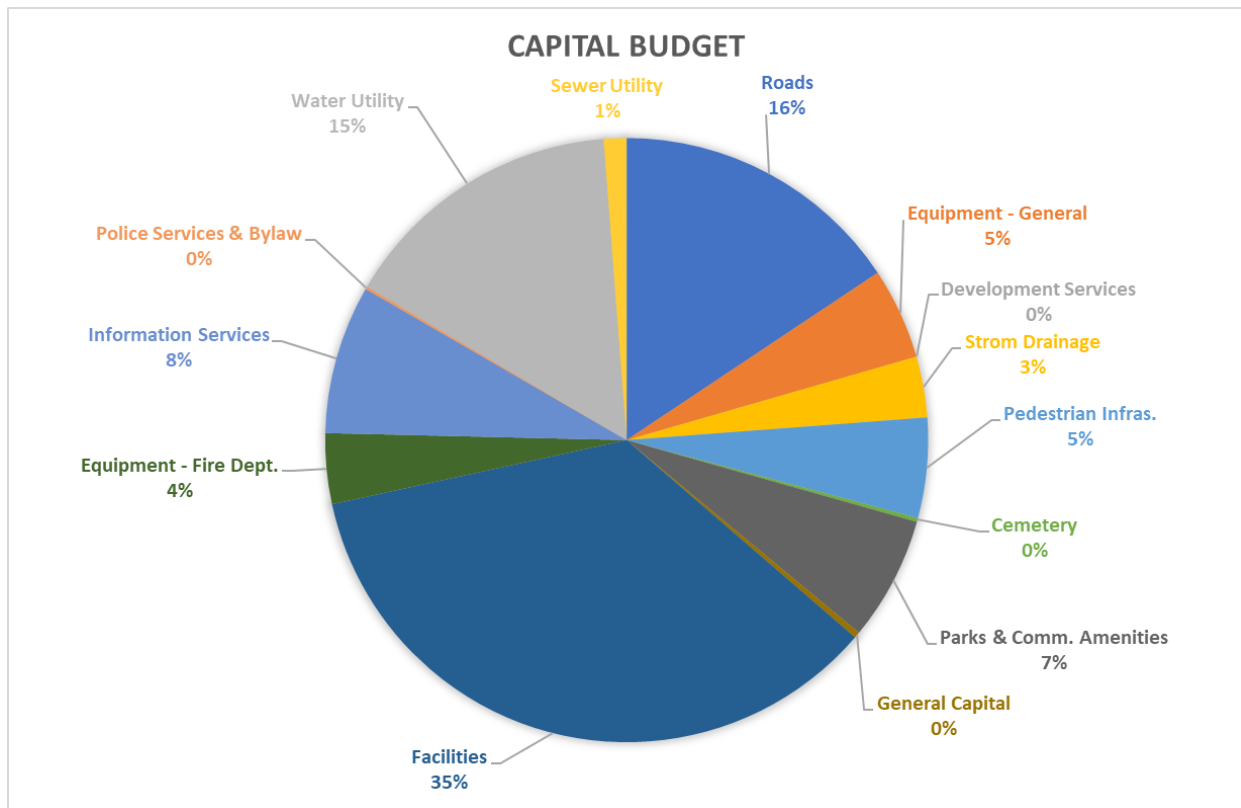
Early indicators are showing significant pressures on the budget due to inflation, contractual obligations and resources to maintain current service levels. Police Services department in particular is projected to increase 8.5% from 2022 with a net effect on the base budget of 1.75%. Other components for budget deliberations will include proposals for another increase to general capital reserves as well as the infrastructure levy, which if approved would mark the third year of increases to these important capital revenue sources.

On the revenue side factors affecting the budget include the COVID Restart Grant allocation of \$1 million, which is down from \$1.25 million the previous year. This funding allocation will run out after the 2023 allocation. Revenues, which the grant was designed to enhance are expected to be fully recovered but may not completely fill the gap left behind by the grant.

On the expense side, inflation numbers are out for YTD October 2023 at almost 7% year over year. As indicated above Inflation has been factored into the budget where appropriate (i.e. fuel, utilities and materials accounts), but line items effected have all been scrutinized for relative need. Lastly, updating our main city platform that houses all our critical software programs has come to the forefront over the last year as it is almost 15 years old. The risk associated with running a myriad of support programs with the current system must be mitigated by implementing an integrated system. \$250,000 of funding has again been allocated to reserves in the draft financial plan and is proposed to be held to accumulate over the expected multi-year project. The anticipated price of a new system is about \$2 million based on a recent market scan.

### **Proposed Capital Budget:**

The capital budget is taking shape with more than 90 capital projects proposed for 2023 worth approximately \$32 million (30 requests are for equipment purchases, so roughly 60 actual “projects”). This compares to the previous year at 78 capital projects approved worth \$25.5 million. The areas with the most significant spending are Facilities, Roads and Water. The following chart depicts the proportionate spending in each area.



Staff will incorporate feedback from Council at the December 13<sup>th</sup> and 14<sup>th</sup> regular and special Council meetings as we continue to plan and implement the annual budget process.

## REVIEWED BY

Corinne Boback, Legislative Services Manager/Corporate Officer

## APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

PowerPoint: Yes ☒ No ☐