



COUNCIL REPORT

To: Mayor and Council

Date: March 14, 2023

From: Paul Gipps, CAO

Subject: **Draft 2023-2027 Financial Plan and Ten-Year Capital Plan**

Report Prepared By: Warren Everton, Director of Finance/CFO

RECOMMENDATION to Consider and Resolve:

THAT Council consider the feedback information from the public engagement process held between February 7th and February 16th, 2023; and

THAT Council authorize staff to proceed with the capital expenditures as amended on Attachment 2 – 2023 Amended Capital Early Approval Requests; and

THAT Council give second reading as amended and third reading to the “City of West Kelowna Financial Plan Bylaw No. 0304, 2023”, with the tax increase set at 5.0%.

STRATEGIC AREA 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.

Strengthen our Community – We will provide opportunities for the residents of West Kelowna to build connections, celebrate successes, embrace the community's strengths and diversity, address shared needs, and contribute to shaping the community's future.

Investment in Infrastructure, Economic Growth and Prosperity, Safety and Wellbeing are the three areas of Strategic Priorities that financial planning touches. Forecasting revenues, expenses, capital and reserves is integral to a healthy and progressive young city.

BACKGROUND

LEGISLATIVE REQUIREMENTS:

Section 165 of the *Community Charter* requires that Council adopt, by bylaw, a five-year financial plan, which must establish the City's proposed expenditures, funding sources and transfers between funds. West Kelowna has a five-year Operating Plan and ten-year Capital Plan. The Operating Plan lists the revenues and expenses, which ultimately determines the tax requisition and rates and may be amended at any time.

Section 166 of the *Community Charter* requires that Council undertake a process of public consultation regarding the proposed financial plan before it is adopted.

DISCUSSION AND FINANCIAL IMPLICATIONS

Operating Plan

City of West Kelowna						
2023 - 2027 Financial Plan						
Previous, Current and Projected						
	Approved 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Growth (Projected)	2.50%	1.75%	1.50%	1.50%	1.50%	1.50%
Previous Year Taxes	36,559,183	38,935,530	41,563,677	43,849,679	46,261,412	48,343,176
Growth	913,980	681,372	623,455	657,745	693,921	725,148
Budget Increase	1,096,775	1,557,421	1,246,910	1,315,490	1,387,842	1,450,295
Increase in Infrastructure Allocation	365,592	389,355	415,637	438,497	-	-
Current Taxes	\$ 38,935,530	\$ 41,563,677	\$ 43,849,679	\$ 46,261,412	\$ 48,343,176	\$ 50,518,619
Total Increase	6.50%	6.75%	5.50%	5.50%	4.50%	4.50%
Less Growth (from completed roll)	2.50%	1.75%	1.50%	1.50%	1.50%	1.50%
Net Tax Increase	4.00%	5.00%	4.00%	4.00%	3.00%	3.00%

After review of the operating and capital requests during the January financial plan deliberations the 2023 tax rate was set at the recommended 5.0%. At that time, non-market growth was estimated at 1.75% with the actual growth being confirmed at that level with the release of the completed assessment roll. During the February 14th Council meeting, the Grant-in-aid (GIA) deliberations took place which reduced the budgeted figure of \$204,002 down to \$141,502, a saving of \$62,500. It was noted that youth sports groups that receive reduced rates were no longer included in GIA but are reported on when facility rates are updated in the spring. Council expressed the need to have staff report back before adoption with a summary of the expected impact of reduced rates. That overview appears as follows:

For 2022 minor sports (Youth) groups accounted for:

- \$277,877 out of \$597,329 for arena rentals
- \$47,325 out of \$87,682 for dome rentals, and
- \$29,861 out of \$41,752 for field rentals
- For a total of \$355,063 out of \$726,763 rentals

Youth rental rates are 50% of adult rates for arena and field rentals (there are no youth rates for the sports dome) and are comparable to the neighbouring municipalities. The amounts above are specific to minor sports (youth) groups that were previously grouped under the grant in aid process. Further discussion on fees and charges for recreation and facilities is expected to be presented to council later in the second quarter.

Further to the 1st reading of the budget bylaw, General Fund discretionary funds of \$1,565,000 were allocated to a number of service areas for staffing resources and infrastructure funding. These included an Information Services Supervisor, a Community Support Officer and Part-time Legal Assistant all for \$146,000 net of expense reductions. Safety and security staffing resources included two Flex Fire Fighters and a Seasonal Bylaw Officer for \$369,000 and two RCMP Members approved for \$402,000 with no net affect on the 2023 budget but applicable to 2025 and beyond. On the Water Fund side, two positions were added to continue staffing the Rose Valley Water Treatment Plant for a total of \$190,500. As well there was a full-time Distribution and Collection Operator added and two Seasonal Watershed Operator positions for a total just under \$208,000. All of these have been incorporated into the water fund budget and do not affect discretionary funds.

The balance of the Supplemental Requests included the continuation of the 1% infrastructure allocation for \$389,300 and the portion of the discretionary funds allocated to capital reserves at \$660,500.

Capital Plan

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2023 - 2032 - 10 Year Capital Plan Summary						
Section	Section No.	2023	2024	2025	2026	2027
Roads	Sec. 1	\$ 6,975,000	\$ 5,175,000	\$ 7,225,000	\$ 2,900,000	\$ 5,400,000
Equipment - General	Sec. 2	1,119,000	1,470,000	2,125,000	160,000	460,000
Development Services	Sec. 3	-	175,000	175,000	275,000	75,000
Strom Drainage	Sec. 4	1,065,000	1,249,800	1,064,000	175,000	280,000
Pedestrian Infras.	Sec. 5 a)	1,700,000	1,500,000	1,806,000	1,500,000	1,815,180
Cemetery	Sec. 5 b)	63,000	50,000	-	-	-
Waterfront	Sec. 5 c)	-	-	-	-	2,435,135
Land/Parks Acquisition	Sec. 5 d)	-	-	5,283,507	-	-
Parks & Comm. Amenities	Sec. 6	1,167,603	1,127,257	769,560	480,339	481,983
General Capital	Sec. 7	100,000	100,000	100,000	161,000	100,000
Facilities	Sec. 8	9,120,000	4,145,925	1,656,128	44,200	183,000
Equipment - Fire Dept.	Sec. 9	1,201,000	1,865,000	359,000	1,232,000	2,112,000
Information Services	Sec. 10	2,493,939	408,592	268,741	242,825	206,323
Police Services & Bylaw	Sec. 11	17,405	70,500	60,500	60,500	60,500
Water Utility	Sec. 12	4,130,000	4,306,000	7,530,000	9,815,000	10,357,000
Sewer Utility	Sec. 13	1,508,900	1,888,000	1,136,000	1,060,000	617,000
Totals Capital Requests		\$ 30,660,847	\$ 23,531,074	\$ 29,558,436	\$ 18,105,864	\$ 24,583,121

Changes to the capital plan during deliberations included one duplicate project corrected and four deleted or deferred projects requiring further information with no additions or other material changes to the Ten-year Capital Plan from what was presented and approved at the January 31st meeting. The total capital spending regime is now at \$30,660,847 million, which is \$3,255,580 less than originally proposed and is broken out as per below.

Project Code	Name	Proposed	Reasoning
C2023-07	Casa Loma Emergency Access	750,000	Requires additional shared funding
C2023-11	Capital Crew Excavator and trailer	435,000	Continue to lease
C2023-45	Operations Centre phase II	2,000,000	Requires completion of funding
C2023-64	Operations Centre IT Equipment	44,090	Deferred as per phase II above
C2023-66	Policing Building - 3 offices	26,500	Duplicate (remove)
Total		3,255,590	

Council previously denied the Casa Loma Emergency Access with the understanding that additional information would be brought forward regarding the anticipated contributions from the applicant in relation to the Sol Aqua zoning application (Z 20-08). It has been confirmed the applicant will be paying their proportional contribution of 16% towards the total projected cost of \$750,000 (including soft costs, land acquisition and construction). Based on this, we are anticipating the applicant would contribute \$120,000 towards this capital project C2023-07 at time of development. Projects C2023-45 and C2023-64

Operations Centre Phase II and IT Equipment are anticipated to be brought back to Council as an amendment once final funding on Phases I and II are confirmed.

The major spending areas in the Capital Plan are in Facilities at \$9.1 million, Roads at \$6.98 million, Water at \$4.1 million, IT at \$2.49 million and Sewer at \$1.5 million. Also, during first reading of the bylaw, two phases of early capital approvals were presented and approved by Council excluding the capital reductions listed above. The first phase totaling \$9.15 million started January 31st coinciding with the conclusion of the budget deliberations. The second phase totaling \$1.67 million was approved and will proceed as of March 14th and additionally, project C2023-17 "Inverness Culvert" for \$730,000 is proposed as an amendment to the early approval listing moving it from adoption to March 14th. The balance of capital projects totaling \$19,120,513 will proceed once the budget bylaw is adopted.

Public Engagement Summaries:

The City's 2023 Budget Consultations website was active as of February 7th and included two open houses February 8th and 15th. The open houses reasonably attended, supported by staff and Council with informational handouts and story boards featuring segmented information on a cost per property basis. A variety of budget information was also available on ourwk.ca/2023budget website including the electronic version of the 2023-2027 Financial Plan, 10-Year Capital Plan, story board slideshow, ideas portal and a feedback form for submission.

Attached is the Draft 2023 Budget Consultation Summary and Questionnaire Response Report for Council's consideration.

Please also see the attached amended Financial Plan Bylaw and 2023 Early Capital Approval Listing to complete the budget package.

COUNCIL REPORT / RESOLUTION HISTORY

Date	Report Topic / Resolution	Resolution No.
January 31, 2023	THAT Council direct staff to incorporate the supported supplemental budget requests, capital projects, additions and deletions into the City of West Kelowna's Financial Plan for 2023-2027; and THAT Council give first reading to City of West Kelowna 2023-2027 Financial Plan Bylaw No. 0304, 2023. CARRIED UNANIMOUSLY	C088/23

CONCLUSION

The Five-Year Financial Plan offers a conservative 5% tax increase in light of inflationary and contractual pressures as well as a much-needed increase to transfers to reserve. Prudent financial planning and spending is key to the health of our growing community and staff has worked hard to keep increases to a minimum.

The public engagement process was again meaningful and produced a number of thoughtful questions and comments for consideration in the 2023-2027 financial planning cycle. It is apparent from the feedback that West Kelowna citizens understand the budgeting process reasonably well and are satisfied with the City's financial planning results.

Alternate Recommendation to Consider and Resolve:

THAT Council authorize a different tax increase and reduce the proposed transfer to reserve; and

THAT Council give second reading as amended and third reading to City of West Kelowna Financial Plan Bylaw No. 0304, 2023.

REVIEWED BY

Warren Everton, Director of Finance/CFO

Corinne Boback, Legislative Services Manager / Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

PowerPoint: Yes No

Attachments:

Attachment 1 – Financial Plan Bylaw 0304, 2023, including Schedule A – 2023-2027 Financial Plan Summary

Attachment 2 – Amended 2023 Early Capital Approval Request Listing

Attachment 3 – 2023 Draft Budget Consultation Summary

Attachment 4 – 2023 Questionnaire Response Report