



COUNCIL REPORT

To: Mayor and Council

Date: December 18, 2024

From: Ron Bowles, CAO

File No:

Subject: **Draft 2025 – 2029 Financial Plan, Supplemental Requests and Ten-Year Capital Plan**

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

RECOMMENDATION to Consider and Resolve:

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 2025-2029; and

THAT Council give first reading to City of West Kelowna 2025-2029 Financial Plan Bylaw No. 0323, 2024.

STRATEGIC AREA(S) OF FOCUS

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

Pursue Economic Growth and Prosperity – We will work with stakeholders 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.

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

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.

DISCUSSION

The Financial Plan is a preeminent policy document for Council's consideration and reflects West Kelowna's continuing efforts to provide the highest quality of service in daily operations and in governance, as it relates to the strategic priorities and goals of the municipality.

This is the sixth-year staff have evolved the budget process that started with the 2020 plan. As you may remember Budget Guidelines were developed to better frame the budget process and further enable financial planning at the department level. Finance provides the tools and analysis to each of the departments and then uploads all the data to the financial system. For a fourth-year staff have updated the schedules that draw directly from the uploaded information in the financial system. This method was developed to avoid duplication of entries which was a major risk of error and accuracy in the past. Department schedules are again printed directly from the financial system and are in the landscape format for easier reading.

These schedules also display revenues as negatives, which is an accounting convention and hard coded in the programing. All the general ledger accounts are listed on the department schedules, except for Human Resources, Facilities, Water and Sewer where the accounts are rolled up into departmental sub-functions.

On December 18th and 19th staff will provide a detailed first review of the financial plan with Council and request feedback on the proposed revenues and expenditures.

Operating Budget Variance Analysis

- Overall revenues and expenses are listed in summary form on the Schedule A (statutory requirement). Functional areas are further segmented out in Schedule B (General Fund), C (Sewer Fund) and D (Water Fund).
- The overall increase in salaries and wages in the base budget including union contracts and exempt salaries is up 5%, with benefits up over 30% and another significant increase to WorkSafe BC costs.
- Council costs are up 12.25% due mostly to conferences, benefits increase and exempt costs. Benefits and WorkSafe costs have been factored in as they previously were not charged into this budget.

- Administration department is flat at 0.95%. Previous year costs were slightly overestimated and now adjusted and allocated correctly. Remuneration increase is offset by a reduction in contract expenses.
- Finance Department schedule shows a large increase (130%) which is due to the discretionary funds occupying the contingency line. These funds are a culmination of the tax increase, net revenues vs expenses and the balancing factor for the GL budget listing. Exempt salaries line is up 60% due to two positions moving to exempt from the bargaining unit.
- Legislative Services Department total is up 13.4% due to contract storage costs, union and exempt salaries and benefits.
- Human Resources is up 8% due partly to the increased use of casual labour as well as exempt salary adjustments and benefits cost increase. Costs are again mitigated by the COR Safety incentive.
- Information Services is up 5.61% due in part to a portion of director salary allocated in the exempt line. This is offset by the FTE office equipment line, which remains unallocated until resource requests are approved in the budget.
- Legal is reflecting a status quo budget until recruiting for Legislative/Legal Director is complete.
- Police Services expenses are relatively flat over previous year besides a base increase in staff remuneration and a slight increase in revenues. Proposed service level increase shows a three-member addition to the collator funding for Council's consideration.
- Fire and Rescue net costs are up 6.2% for 2025. Expenses are projected to be up 6.3% mostly due to wages. This is partially offset by recovery revenue rising another 6.54%.
- Engineering is expected to have a 9.4% increase mostly due to the infrastructure engineer position added to the 2024 budget through one-time operating surplus funding.
- Operations and Road Maintenance is the next largest expenditure outside of Police and Fire and is up 2% mostly due to road maintenance contract inflation. Union labour costs are down due to a portion reallocated to solid waste.
- Solid Waste, after going through a re-evaluation in 2023 the budget reflects the City's actual experience with revenues up 7.6% and costs up 8.6% over 2024 with a net revenue of just over \$534,000. Labour costs are up 31% due to higher allocation from operations. As in previous years the surplus will be used for garbage cart replacements and to ensure mitigation of any potential fines from recycling contamination.
- Planning and Development revenues and costs for 2025 are flat, due mostly to the transfer of costs to the newly created Community and Social Development department. Also, a portion of front counter staff time is now allocated across affiliated departments (Building, Licencing, Development Engineering)
- Building department revenues are expected to be up slightly after a 14% increase in 2024. Net revenue of \$861,000 expected which mitigates almost 2% of taxation.
- Business Licencing is seeing a net increase in revenue after reallocation of exempt director costs here and a reduction of union labour due to an allocation to Finance.
- Recreation bottom line is down slightly due to a combination of expected revenue increases (28.9%) offset by an increase in expenses (4.1%). Adult and youth

program revenues are up 19% and 34.5% respectively with Youth Centre costs expected to remain at \$225,000.

- Facilities is expected to see no net change with both revenues and expenses flat. Other lease revenues were reduced due to lower expectations of governmental partnerships at the new City Hall.
- Parks Department is seeing a 10% change in net expense which is partly mitigated by higher field rental revenue, but costs are mostly affected by labour allocation increases in wages and benefits.
- Administration Fees have again been updated for 2025 generating an increase of \$388,000 or 5.6%. These fees encompass the cost of the City's administrative functions that support the organization and are applied across all non-administrative departments and utilities. The offsetting revenues appear in Schedule B1 – General Fund Revenues on the financial plan.

Capital and Reserves Overview

The overall capital budget is projected to be \$17.37 million down from a \$32.2 million budget in 2024. The 2025 capital plan includes the following major projects:

- Roads:
 - Road Rehabilitation Program at \$2.5 million up from \$2.1 million in 2024 funded from gas tax (\$1.25 million) and capital reserves (\$1.25 million). There is a proposed 1% tax increase to enhance capital reserves for this program.
 - Total budget for Roads is proposed at \$2.85 million down from \$7,150,000 in 2024 and includes the final year of the street lighting project.
- Equipment:
 - Proposed spending includes 14 projects for a total of \$1,803,000. Most notable include end of life equipment replacements at \$710,000 along with \$778,000 in vehicles related to staffing requests. Proposed funding is a mix of equipment reserve funding, utility capital reserves and MFA (Municipal Finance Association) 5-year equipment borrowing.
- Storm Drainage:
 - Includes \$500,000 for capital crew drainage projects as well as McDougall Creek capacity improvements for \$525,000
- Pedestrian Infrastructure:
 - Projects funded by infrastructure reserve include the yearly Sidewalk Program at \$1.0 million as well transit stop improvements for \$50,000.
- Parks:
 - Total budget of \$1,724,500 includes a number of park upgrades and improvements planned as well as security cameras for the Kinsmen Yard and sports fields and the Mar Fee Concept Plan
- The \$2.5 million Facilities plan includes:
 - City Hall Council Chamber acoustic upgrades and City Hall parking lot design for \$115,000 and \$80,000 respectively
 - Roof replacements for Fire Halls #33 and #34 at \$300,000 and \$400,000 respectively
- Fire Department Equipment:

- A relatively small increase of \$515,000 in Fire Equipment includes PPE for \$90,000, Personnel Transport Van for \$110,000 and phase 2 of the Fire Training Centre for \$280,000.
- Information Services:
 - Total budget of \$942,000 highlights many smaller but significant items including client hardware replacements for \$191,175 and Council Chamber equipment upgrades at \$278,000.
- Water
 - Water meter replacement tops the list at \$1.64 million along with Rose Valley Spillway improvements at \$500,000, Butt Road water main for \$400,000, SCADA backbone upgrades for \$180,000, PRV#5 replacement for \$250,000, Re-chlorination stations at \$150,00 and various other projects totalling just over \$500,000.
- Sewer
 - Pritchard-Green Bay lift station upgrade design is the largest request at \$200,000. Horizon Drive main replacement is another significant item at \$90,000.
- Reserves and DCCs:
 - The total transfer to reserves projected in the General Fund budget is \$12.03 million, which is about \$157,400 greater than 2024 before adjusting for land reserve and interest earned on reserves.
 - Water, Sewer and Storm reserve transfers are projected to increase by \$101,000 for a total of \$4.34 million in 2025.
 - DCC additions are expected to increase by a modest \$53,300 in 2025 before interest.
- Unfunded Capital Schedule
 - A new schedule for 2025 is the unfunded capital listing appearing at the end of the Capital section in the budget binder. These projects, for the most part are from master plan updates but also include other major capital projects with no allocated funding from reserves or other traditional sources. This report illustrates the need for increasing reserves in anticipation of community needs.

Consolidated Total Revenues and Expenditures – Schedule A

This schedule presents the various components of revenues and expenditures based on the draft 8.35% tax increase. The breakout of the percentage includes a base budget increase of 3.01%, as well as 2% increase for reserves, one of which is for the continued increase in capital spending on the road rehabilitation program. The second 1% supports the infrastructure reserve allocation and is applicable in each of the next two years of the Financial Plan (original Council intent was to commit to a five-year program). After pausing in 2024, 2025 would mark the fourth year of applying the allocation and similar to 2023 would be focused on pedestrian and storm projects run by the capital works crew. In order to support the infrastructure pillar of Council's strategic priorities it's imperative that reserves are maintained at a robust level.

Growth for 2025 has been projected at 1.55% which is up slightly from 2024's 1.5%, but less than 2023's 1.75% and 2022's 2.5%. Factoring expected growth into the plan Council has \$3.31 million in discretionary funds for to use towards the recommended resources and transfers to reserves or other projects and initiatives that Council wishes to pursue

Schedule A Summary	Approved	Forecast
	2024	2025
Growth (Projected)	1.50%	1.55%
Previous Year Taxes	41,563,677	45,034,242
Growth	623,455	698,031
Budget Increase (base plus options)	2,847,110	3,760,361
Increase in Infrastructure Allocation	0	0
Additional Transfer to Reserves & Roads	-	0
Current Taxes	\$ 45,034,242	\$ 49,492,632
Total Increase	8.35%	9.90%
Less Growth (Revised Roll)	1.50%	1.55%
Net Tax Increase	6.85%	8.35%*

* if all options selected (see following chart)

Supplemental and Full Time Equivalent (FTE) Requests

The Senior Management Team has reviewed and rationalized the General full-time equivalent (FTE) requests down to \$859,338 (8.2 FTE) funded through discretionary spending. As well, the safety and security planning process has identified the need for five (5) new police members funded in future years (increasing authorization from 38 to 43) with the funded portion of the collator increasing by three members (29 to 32) for \$678,101. This along with an RCMP front Counter Clerk rounds out the Police Services request to \$772,762. Additionally, Fire and Rescue is proposing the addition of two Flex Fire Fighter positions as well as a (0.6 FTE) Fire and Rescue Assistant totalling \$274,903. Supplemental operational requests include options for increased Transit security at \$75,000, wildfire mitigation activities for \$120,000 and Fire and Rescue paid on-call enhancements for \$100,000. Total cost for the Safety and Security initiatives is just under \$1.343 million or a 2.98% of the indicated tax increase.

The Utilities funds are seeing one FTE request in distribution and collection and 2.4 FTE requests for water treatment and supply totalling 3.4 FTEs at \$315,031. These positions would be funded through the water utility with anticipated increases to user fees to be brought forward in early in 2025.

Base Budget Breakout	Amount	Tax %
Provincial Housing Initiatives - FTEs	395,850	0.88%
Transit Service Expansion MOU year 1	296,500	0.66%
Increases in labour agreements and benefits	1,527,000	3.39%
Increase in Interest Revenue, Sales and Recoveries	-863,510	-1.92%
	1,355,840	3.01%
Infrastructure Funding Options		
Infrastructure Allocation 1%	450,342	1.00%
Capital Reserve Allocation 1%	450,342	1.00%
	900,684	2.00%
FTE Staffing Options		
Resources for Current Service Level (3.6 FTE)	365,616	0.81%
Resources for Service Increases (4.6 FTE)	493,722	1.10%
	859,338	1.91%
Safety and Security Options		
Policing collator increase (29 to 32 members)	678,101	1.51%
Policing Front Counter Clerk	94,661	0.21%
Flex Fire Fighters (2)	240,000	0.53%
Fire and Rescue Assistant (0.4 FTE)	34,903	0.08%
Supplemental Expenditures proposed increase	295,000	0.66%
	1,342,665	2.98%
Subtotal	4,458,527	9.90%
Less Growth	-698,031	-1.55%
Total Tax Increase (All options)	3,760,496	8.35%

2025 Capital Plan

The Capital Plan has been organized by department and project type. The general fund portion of the capital plan includes requests that total \$13.22 million, and the utilities portion of the plan includes requests totalling \$4.15 million for an overall total capital budget of \$17.372 million. The funding regime for these projects are estimated to be 83% from reserves at \$14.22 million, 1% DCCs at \$90,000, 2% grants and recoveries at \$350,000 and 14% debt at \$2.51 million. Additionally, short-term equipment financing payments of \$1,367,220 are coming from reserve

2025 Grants in Aid Requests (GIA)

With the application period closed at the end of October, Finance staff have summarized the list of the organizations and applications and organized them into the GIA binder and budget schedules that will be available before December 20th, 2024. A meeting to review applications, to decide on limits and how to allocate the funds has been tentatively set for

January 14th. There has been a healthy volume of applications this year but currently the budget has the same level as 2024 allocated in anticipation of the deliberation meeting.

Next Steps

Early capital and resource approvals will follow the first reading of the budget bylaw. These are the items that have some level of urgency compelling management to request an earlier start than at the point of bylaw adoption.

Finance and Communications staff are also planning a number of public budget consultations over ten days in late January, early February to engage with and collect feedback from the public on the 2025 – 2029 Draft Financial Plan. Two in-person sessions are planned between January 27th and February 9th with dates yet to be finalized. The feedback from these sessions will be presented to Council with any amendments incorporated as part of the 2nd and 3rd readings of the Financial Plan Bylaw.

Alternate Motion:

THAT Council direct staff to incorporate the supported Capital projects, supplemental budget requests, additions and deletions into the City of West Kelowna's Financial Plan for 2025-2029; and

THAT Council authorize a different tax increase and instruct staff to reduce proposed operational expenditures to match the increase, and

THAT Council give first reading to City of West Kelowna 2025-2029 Financial Plan Bylaw No 0323, 2024.

REVIEWED BY

Lisa Siavashi, Financial Services Manager / Deputy CFO

Trevor Seibel, Deputy CAO/Deputy Corporate Officer

APPROVED FOR THE AGENDA BY

Ron Bowles, CAO

PowerPoint: Yes No

Attachments:

Attachment 1 – Financial Plan Bylaw 0323, 2024, including Schedule A – 2025-2029 Financial Plan Summary