



INFORMATION ONLY COUNCIL REPORT

To: Mayor and Council

Date: October 21, 2025

From: Ron Bowles, Chief Administrative Officer

Subject: **2026 Budget Workshop #1**

Prepared by: Lisa Siavashi, Acting Chief Financial Officer

Reviewed by: Ron Bowles, Chief Administrative Officer

THAT the staff report titled "2026 Budget Workshop #1", dated October 21, 2025, be received for information.

INFORMATION SUMMARY

The first of two budget workshops, this workshop will discuss:

- the annual budget process and timeline updates
- an overview of the 2026 Operating Budget and
- a review of the capital project carry forwards.

The second budget workshop will review the 2026 capital requests and the reserve balances.

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

The budget process is a yearlong endeavor. The official process starts in July with the finance department preparing documents and templates for each of the City's departments to review, analyze and complete their projects for the coming year. The next few months are spent collaborating and merging all documents to complete the draft Financial Plan.

For the 2026 – 2030 Financial Plan, staff will start implementing best practices by first continuing with detailed budget workshops prior to the budget deliberations in December. The intention of these meetings is to give Council and the public an idea of what will be requested in the draft Financial Plan. Once the draft budget is released, two weeks prior to budget deliberation, a page on OurWK.ca will be open for comments from the residents and business owners. The budget display boards will also be available in the City Hall lobby from this time for visitors to review along with surveys for them to fill in. At the end of the budget deliberations, 1st and 2nd reading of the Financial Plan and the utility rates would be recommended. Providing there are no major adjustments needed to the draft plan, 3rd reading of the Financial Plan will be presented at the December 9th council meeting along with a summary of the feedback received from the public. Final adoption of the Financial Plan will occur at the first meeting in January 2026 along with deliberation of the Grant-in-Aid applications.

Operating Budget:

The 2026 operating budget is still being analyzed to see how cost increases can be kept to a minimum. Staff are reviewing for efficiencies and the possibility of offsets for new staffing requests. Some items that need to be included in the operating budget are:

- Contract increases from service providers and collective agreements (approx. \$1.6 million)
- Inflationary increases in supplies and utilities (approx. \$200,000)
- Increase in the per member cost of RCMP members (approx. \$400,000)

City Hall and Rose Valley Water Treatment Plant Project debt will move from short term to long term which will enable staff to include more stable details on interest payment and principal payments within the 5-year Financial Plan.

Last year Council approved, in principle, a schedule to incorporate an additional 19 RCMP municipal members over 7 years (shown below). The plan for 2026 was to request 3 new

members but only fund 2.5 members due to the time it takes to get them in place but Council can adjust this plan at their discretion.

	2024	2025	2026	2027	2028	2029	2030	2031	Total
Approval Scenarios for E Div	2	4	3	3	3	3	1		19
Potential Collator funding	1	2	2.5	2.5	2.5	2.5	3	3	19
Amount per Member	\$ 219,450	\$ 226,034	\$ 233,000	\$ 239,990	\$ 247,190	\$ 254,605	\$ 262,244	\$ 270,111	
Total Cost	\$ 219,450	\$ 452,067	\$ 582,500	\$ 599,975	\$ 617,974	\$ 636,513	\$ 786,731	\$ 810,333	
1% tax Increase	\$ 415,000	\$ 450,342	\$ 490,243	\$ 514,755	\$ 540,493	\$ 567,517	\$ 595,893	\$ 625,688	
Policing Tax Increase	0.53%	1.00%	1.19%	1.17%	1.14%	1.12%	1.32%	1.30%	
	2024	2025	2026	2027	2028	2029	2030	2031	
Total Collator	38	42	45	48	51	54	55	55	
Funding level	29	31	33.5	36	38.5	41	44	47	
Percentage funded	76%	74%	74%	75%	75%	76%	80%	85%	

Capital Carry Forward Projects:

During the annual budget process, staff come forward with just under 100 capital project requests on average, per year. This has accumulated 237 projects currently being on our capital work in progress schedule, with requests dating back to 2017. Staff were tasked with providing updated schedules including completion dates (attachment #1) with emphasis has been given on completing these projects first.

By tightening up these schedules, staff would be able to plan accordingly and would receive more accurate cost estimates for projects they are proposing. Carrying this number of “work in progress” (WIP) projects also holds up knowing what reserves balances truly are. For example, the audited balances of the City’s reserves at December 31, 2024, was \$58.5 million, however this amount does not consider projects that were still a work in progress totaling \$43.4 million. The DCC balances at December 31, 2024, were \$19.4 million with projects still in progress totaling \$16.8 million.

To review the summary of carry-forward project statuses, we have the table and details below.

Capital Projects Status									
Project Yr.	Total no. of Projects Approved	No. of Projects (WIP)	No. of Projects Est to be completed in 2025	No. of Projects Est to be continued in 2026	(WIP) Actual Spent (A)	(WIP) Committed (C)	(WIP) Total (Actual Spent + Committed)	(WIP) Approved Budget of Remaining Projects	Estimated Surplus budget to be returned to Reserves
2025	87	87	31	56	3,854,433	2,629,539	6,483,972	23,862,595	300,000
2024	88	57	30	27	14,963,704	4,948,129	19,911,833	32,015,514	25,000
2023	76	40	25	15	20,320,477	4,669,138	24,989,615	26,286,294	200,000
2022	88	27	23	4	23,756,430	1,024,747	24,781,178	24,052,877	150,000
2021	78	8	7	1	785,480	14,836	800,316	1,076,288	55,000
2020	80	13	9	4	833,389	49,345	882,733	1,307,728	150,000
2019	79	2	2	0	212,327	4	212,330	300,000	35,000
2018	67	2	1	1	192,644	5,909	198,553	262,693	-
2017	73	1	1	0	1,618,094	627,408	2,245,502	3,145,555	-
TOTAL	716	237	129	108	66,536,978	13,969,054	80,506,032	112,309,544	915,000

- There is 1 project from 2017 which is part of the Rose Valley Water Treatment Plant project - more specifically one of the transmission mains which will be capitalized at the end of this year.
- 2 projects from 2018, both cross connection installations which are still ongoing and not expected to be completed until sometime in 2026.

- 2 projects from 2019 – 1 being Paynter Dam Spillway improvements which are mostly complete and will be capitalized this year. Currently there is approximately 35K of funds from this project that will be made available in the reserves again. The other project requested in 2019 was the playground and parking upgrades at Anders Park, which was put on hold and then combined with the construction of Fire Hall#32 which was completed this year.
- 13 projects from 2020. The scope of 1 storm drainage project was larger than expected and therefore was not started. This budget and reserve funds will be returned, and the project will be reviewed and requested in the future. 2 projects were incorporated with the Fire Hall #32 project and were completed this year. 6 projects to be completed in the 4th quarter of 2025 - 2 items were facility based and linked to the public works yard, 3 projects were water based and 1 project for a sewer lift station. 1 water project for McDougal transmission mains and 3 sewer projects will continue to be worked on in 2026.
- 8 projects from 2021. 3 projects were facility related with 2 being finalized in 2025 and 1 project will carry forward funds for additional features and trees that will be completed in 2026. 3 software projects were completed this year with approximately \$30K of budget remaining and being returned to reserves. 2 water projects with 1 being completed and the second one now being taken care of with operating funds which will return \$25K to reserves.
- 27 projects from 2022 with all but 4 being completed. A project for Electronic Plan Review software along with some facility work at the police detachment will still be underway in 2026 and these budgets will be carried forward. There is also a project for the design for a Pressure Reducing Valve for the Powers Creek system and some parks property improvements to be finalized. From the projects that were completed, staff currently estimate \$150K of surplus budget to be returned to reserves.

Best practice would only allow carry forward projects for the last 2 budget years. Capital projects from 2023-2025 have progressed mostly as expected and have details of the number of projects completed or still in progress in the chart above. Funds expected to be returned from 2023 are from 2 sewer lift station projects, and from an electrical upgrade that will need to be rescope and requested again. From 2024, budgets are being returned for a grass/turf top dresser that will be re-quoted and resubmitted, and for a software notification program that will not proceed at this time. The estimated \$300,000 to be returned to reserves from 2025 is from projects that have been completed, including vehicles that have been purchased and received with savings.

Once the year end transactions have occurred and all outstanding invoices processed, Council will receive an updated report on the calculated surpluses to be returned to reserves as of the end of 2025.

Items for Council Consideration

There are two items for Council to consider for the 2026-2030 Financial Plan, being:

- In 2026 the City will receive its first payment from the Fortis agreement signed in March 2025. The estimated amount was \$143,000. Council needs to discuss if they would like these funds to go into a reserve fund for specific projects or if they would like this amount to go into general funds to offset budget requests and other increases.
- In 2023 the City received \$10.2 million from the Province for the Growing Communities Fund. There is currently approximately \$2 million left in this fund that needs to be spent by the end of 2027. Staff would like Council to consider if there is a project they would like added to the 2026-2027 capital plan to utilize these funds.

FINANCIAL IMPLICATIONS

Staff are still in the preliminary stages of preparing the Financial Plan and the financial implications for the operating budget will be presented at the December 3rd and 4th meetings for the budget deliberations.

The next budget workshop will discuss reserve balances going forward. The processes outlined here, that tighten up capital carryforward requests, will be reconciled on an annual basis and will give staff and council a better sense of where the reserve balances are.

CONCLUSION

Staff are being very cognizant of keeping the proposed tax increase for 2026 as low as possible. Previously approved contracts and agreements make this somewhat difficult, however staff will persevere with identifying areas to become more resourceful.

Tracking capital projects and reserves can be tricky and time consuming, especially when projects linger over several years. As the City has moved quickly over the last 5 years, completing several major projects, time should be taken to focus on the remaining projects that were previously requested. The Gantt charts provided for the carry forward projects show a full workload for staff for 2026. This will be kept in mind when making new capital requests for 2026. For the future, staff will be reviewing projects to ensure that items not started within 2 years of making a request, will have their funding returned. If the project is still needed, it will be brought forward as a new request.

PowerPoint: Yes No

Attachments:

#1 – 2025 Capital Carry Forward Gantt Charts