



Regional Board Report

Request for Decision

To: Regional Board

From: Director of Financial Services

Date: March 16, 2023

Subject: 2023 – 2027 Five-Year Financial Plan

Voting Entitlement: All Directors – Weighted Corporate Vote – Majority (LGA s.210)

Purpose: To present the Regional District of Central Okanagan's 2023 – 2027 Five Year Financial Plan for approval.

Executive Summary:

The Regional District of Central Okanagan's (RDCO) 2023 – 2027 Five Year Financial Plan continues to focus on delivering effective services for residents by bolstering the regional emergency management program, building on important infrastructure, and increasing operating costs to keep pace with growth and inflation.

The Regional Board has reviewed the plan at regular meetings held on February 2, 2023, and February 16, 2023. Public consultation was also carried out from January 25 to February 28, 2023. During the public consultation process the public could provide written comment on the financial plan via mail, email, or through the RDCO public consultation platform (yoursay.rdco.com), as well as provide comment in person at the regular Board meeting held on February 16, 2023. One written submission was received, and three in-person submissions were made. These are summarized, along with the staff's responses, in this report.

At the regular Board meeting held on February 16, 2023, the Regional Board passed a resolution to change the Plan. Updates have been made to the plan to reflect this resolution. These changes impacted services provided to Electoral Area West and reduced the overall increase in expenditures for these services, from 5.3% to 2.1%, for an annual savings of \$46/year for the average homeowner.

Updates have also been made for two of the services that are part of the Westside Wastewater service. These updates were reviewed by the Westside Wastewater Services Standing Committee at their meeting held on February 22, 2023. The updates increased the transfers to capital reserves from 55% to 60% of the recommended annual contributions. This resulted in additional increases in the operating expenditures of \$99.5K (1.8%). These costs are covered through fees charged to the participating municipalities.

For the full financial plan, the increase in operating expenditures remains at 3.5%. The total increase to the tax requisition is reduced to 14.2% and the increase in property taxes for 2023, for the average

homeowner, is reduced to 7.7%. This following table provides a summary of what this means for the average homeowner:

	Annual Tax per House - 2023	\$ Change per Avg House over 2022	Monthly Tax per House - 2023
Average house (\$897K)	\$323	\$23.16	\$26.91
per \$100K assessed value	\$36	\$2.58	\$3.00

The updated Plan also includes the addition of capital projects, approved by the Regional Board for 2022, that were incomplete at the end of 2022. The inclusion of these capital projects has no impact on the 2023 tax requisition or property taxes as the projects are funded with capital reserves and the funding was carried forward with them. The projects brought forward are within the Regional Parks service.

Recommendation(s):

THAT the Regional District of Central Okanagan's 2023 – 2027 Five-Year Financial Plan be approved in principle;

AND THAT the Regional District of Central Okanagan's 2023 – 2027 Five-Year Financial Plan bylaw be prepared for the Board's consideration based on the approved 2023 – 2027 Five-Year Financial Plan.

Approved by:



Tania McCabe, CPA, CA
Director of Financial Services

Attachment(s):

- Appendix A – Financial Plan Summary - updated
- Appendix B – Financial Plan Summary by Department - updated
- Appendix E – Capital Plan Summary - updated
- Appendix F – Capital Plan Funding Summary - updated
- Appendix I – Tax Requisition Comparison - updated
- Appendix J – Tax Rates by Service - updated
- Appendix L – Financial Plan Details – by Service – 023 – North Westside Volunteer Fire Department - updated
- Appendix L – Financial Plan Details – by Service – 027 – Ridgeview Fire Department - updated
- Appendix L – Financial Plan Details – by Service – 120 – Economic Development - updated
- Appendix L – Financial Plan Details – by Service – 126 – Killiney Community Hall - updated
- Appendix L – Financial Plan Details – by Service – 131 – Winfield Recreation Centre - updated
- Appendix L – Financial Plan Details – by Service – 142 – Regional Parks – updated

Appendix L - Financial Plan Details – by Service – 143 – Westside Community Parks – updated
 Appendix L – Financial Plan Details – by Service – 401 – Wastewater Treatment Plant - updated
 Appendix L – Financial Plan Details – by Service – 471 – RDCO Lift Stations - updated
 PowerPoint Presentation

Strategic Plan Alignment:

Priorities: Sustainable Communities

Values: Good Governance, Resiliency

Background:

An updated draft 2023 – 2027 Five-Year Financial Plan (Plan) was presented for the Boards' review at the February 16, 2023, regular Board meeting. During the meeting, the Board reviewed the updates made to the Plan as well as the additional financial information provided at the Board's request.

Board Resolution

From this review, the Board passed the following resolution to amend the Plan for three services:

THAT the Regional Board directs staff to reduce the transfer to capital reserves for the Westside Community Parks service by \$60,000;

AND THAT the Regional Board directs staff to reduce the operating expenditures for the Killiney Community Hall service by \$16,000;

AND FURTHER THAT the Regional Board directs staff to reduce the transfer to capital reserves for the North Westside Fire Department service by \$60,000.

The following updates were made to the Plan to reflect the above resolution:

Service	Original		Reduction	Revised	
	Expenditures	Transfer to Capital Reserves		Expenditures	Transfer to Capital Reserves
North Westside Volunteer Fire Department	\$563,762	\$110,000	\$60,000	\$563,762	\$50,000
Killiney Community Centre	\$55,565	\$0	\$16,000	\$39,565	\$0
Westside Community Parks	\$212,984	\$86,000	\$60,000	\$212,984	\$26,000

These changes reduced the overall increase in expenditures for the services provided to Electoral Area West to 2.1%, from the original 5.3%. The annual savings for the average homeowner, from these

changes, are \$46/year. The impact on the tax increase for this area is a reduction from 14.0% down to 10.9%

Westside Wastewater Services

There are also updates for two of the services that make up the Westside Wastewater service (Wastewater Treatment Plant and RDCO Lift Stations). These updates increased the transfers to capital reserves from 55% to 60% of the annual recommended contributions. This change was reviewed by the Westside Wastewater Services Standing Committee at their meeting on February 22, 2023. The dollar impact was an additional \$99.5K in operating expenditures (1.8%) for the two services, combined.

Changes to Future Years

There were some corrections to financial plan numbers in future years (2024-2027) of the five-year plan. The impacted services are:

- Ridgeview Fire Department – this service provides for the repayment of debt that was incurred for the firehall. The debt will be fully repaid in 2025. The operating costs and requisition amounts for 2026 and 2027 have been removed.
- Economic Development – changes made to the operating expenditures in 2023 (increases and decreases) were not carried beyond 2024. This has been corrected.
- Winfield Recreation Centre – the administrative overhead fee has been removed for this service as the requisition amount is at the maximum allowed within the service area bylaw.

Capital Plan Updates

The updated Plan also includes the addition of 2022 capital projects that were incomplete at the end of 2022. These projects are funded from capital reserves, and that funding is also carried forward with them. The following capital projects were impacted:

Project	2022 Budget	2022 Spent	Available Carry Forward	2023 Budget
Mission Creek Park – East End Washroom and Picnic Shelters	\$267,800	\$153,120	\$114,680	\$114,680
Reiswig Park – Washroom Upgrades	\$51,500	\$9,620	\$41,880	\$41,880
Land Acquisition	\$3,655,470	\$120,495	\$3,534,975	\$3,534,975
Mission Creek Greenway Emergency Repairs	\$149,350	\$38,155	\$111,195	\$111,195

These projects are all for the Regional Parks service.

Public Comments

During the public consultation period, four members of the public submitted comments, one via email and three in person at the February 16, 2023, meeting. The following is a summary of the comments provided and staff's response:

Subject	Comment	Response
Mission Creek Greenways	“The greenway is a major and valuable asset to Kelowna, and it is regrettable that the Regional District does not feel it necessary to ensure its safe use year-round.”	Staff will determine the cost of providing the additional service of snow removal on the greenway. The cost of this additional service will be provided to the Board for consideration during the financial planning process for the next five-year cycle (2024-2029)
Administrative overhead costs	“It seems like they have increased by over 30%...where is our administration budget and where is all this claw back money going into. We don't see an administration budget in this.”	<p>A discussion of the increases in the overhead rates, which are the administrative overhead costs included in the financial plan, was provided on pages 13-14 of the report to Council on February 2, 2023, as well as in the presentation provided to the Board during that meeting.</p> <p>In the discussion on page 13, the key reason for the increase is provided. It is the reduction in the use of operating reserves to fund these costs. The table on page 14 of that report provides additional information on the changes in costs for each of the administrative departments.</p>
North Westside Transfer Station	“We've got huge reserves...not sure what that's planned for”	<p>This transfer station is part of the Solid Waste Management service.</p> <p>This service had an estimated operating reserve when the draft plan was presented on February 2, 2023, of \$124,000. This represents two months of operating expenditures and staff do not consider it sufficient.</p> <p>This service also has a capital reserve of \$60,000. The sufficiency of this reserve will be reviewed by staff.</p>
Killiney Community Hall	“This year we requested as much as we could get because...utility costs and insurance have increased... this year...We have deferred maintenance..., our population is increased...utilization by kids and different activities create a lot of wear and tear. So, there's been a lot of things that have been deferred and nobody, really has addressed that.”	<p>Historically, the financial plan for the Killiney Community Hall has included approx. \$20,000 that has been provided to the North Westside Community Association (NWCA). RDCO has an agreement with them for the maintenance of the facility as well as the provision of programming.</p> <p>For 2023, the NWCA requested an increase in this funding to the maximum allowed under the service area bylaw. This would provide them with approx. \$54,000. With their request, a financial forecast was provided showing how the funds would be used. This financial impact of this request was included in the draft budget presented to the Board on February 2, 2023.</p>

		A board resolution during the Feb 16, 2023 meeting reduced the amount in the financial plan by \$16,000 for the 2023 year. The full requested amount is included in the remaining five years of the plan.
Westside Waste Disposal	“a review of service 092 and how much you may wish to withdraw from operating reserves”	This service has an operating reserve that represents approx. 5 months of operating expenditures. Use of this reserve to reduce the financial impact on property owners will be reviewed during the financial planning process for the next five-year cycle (2024-2029)
Sterile Insect Release Program (SIR)	“The latest study was showing that it’s less effectual or unnecessary in the last five or six years...asking the Board members to take one more look at that”	SIR is an independent taxing authority established by Provincial legislation. The program’s financial plan is reviewed and approved by the SIR Board. SIR issues tax requisitions to each member regional district to collect on their behalf. The regional boards do not have the ability to change this requisition request.
Economic Development	“After COVID an increase...to get us back...in subsequent years after that it should seem to go down”	The operating expenditures for this function have increased in response to increasing costs and the need for additional resources to meet existing service levels. They are reviewed, along with the financial plans for all services, as part of the annual update to the five-year financial plan.

Summary

The financial plan advances the Regional Board’s strategic objectives (Environment, Economic Development, Sustainable Communities, Transportation and Mobility) with a focus on adding resources to meet growing pressures on RDCO services, addressing infrastructure deficits and enhancing the RDCO parks system. The financial plan follows sound financial planning guidelines to provide the best use of resources while striving to achieve financial stability in a Plan that is both transparent and understandable to those it impacts.

The decisions made by the Regional Board during its review of the Plan reflect a recognition of the difficult economic times the community is in and have helped to reduce the financial impact on local taxpayers.

Considerations:

Organizational/External:

Financial impacts resulting from approval of the 2023 – 2027 Five-Year Financial Plan in terms of property value taxes, parcel taxes and service contracts will affect all municipal and electoral area funding partners.

Financial:

The report and associated appendices identify the financial impacts of the 2023 – 2027 Five-Year Financial Plan.

Legal/Statutory Authority:

Section 374 of the *Local Government Act* requires that a regional district must adopt, by bylaw, a financial plan by March 31. Division 1 of Part 11 of the *Local Government Act* fully describes the components and requirements of this process.

Approved for Agenda



Brian Reardon, CAO