



Standing Committee Report Electoral Area Services Committee

To: Electoral Area Services Committee
From: Director of Financial Services
Date: December 12, 2024

Subject: 2025-2029 Financial Plan – Electoral Area Services - DRAFT

Objective: To present, for review, the draft 2025-2029 Financial Plan for the Electoral Area services.

Discussion:

The draft financial plan for the Electoral Area services has been prepared to help the Regional District achieve long-term financial sustainability using sound financial planning practices. In turn, long-term financial sustainability will help achieve stable and predictable changes in property taxes and user fees, over time.

The plan has been developed to advance those strategic objectives that are focused on the Electoral Areas (Emergency Preparedness, Growth & Development, Health & Wellness, Transportation, and Truth & Reconciliation).

The main drivers of changes in this financial plan are:

- Maintenance of critical water systems and planning for future upgrades to ensure continues provision of services at established service levels;
- Development staffing changes to address workloads (75% of costs funded from operating reserves);
- Increasing firefighter hours to meet Fire Commissioner training standard requirements;
- Bolstering Protective Services by addressing infrastructure needs for emergency response services.

Three appendixes have been provided:

- Appendix A provides a summary, by service, of the operating expenditures, and source of funding, for each of the Electoral Area services.
- Appendix J provides an estimate of the impact of the financial plan increases on properties in different neighbourhoods.
- Appendix L provides, by service, the operating & capital expenditures as well as the reserves for each service and notes that provide details of changes in operating expenditures, where those changes are significant, as well as details for significant planned capital projects.

OPERATING PLAN

The draft financial plan for the Electoral Area services includes an increase in operating revenues and expenditures of \$10.8 million, an increase of \$1.3 million over the 2024 operating plan. Appendix A shows the year over year change in the operating financial plan for each service.

Operational Funding

Sources of funding vary by service and include the following:

- sale of services (various fees);
- property tax requisitions;
- parcel taxes;
- reserve transfers;
- grants; and
- other revenue.

The main source of funding for all services is tax requisitions or user fees. The other sources of funding are used to reduce reliance on these main sources.

The services provided to properties in different neighbourhoods of the Electoral Areas vary. Because of this, estimating the tax implications for all properties in the Electoral Areas is not possible. Instead estimates for four distinct areas are provided in Appendix J.

These estimates assume the 2025 property assessment values remain unchanged from 2024 and there are no new properties for 2025. These estimates will change when the 2025 property assessment values are published by BC Assessment in January 2025.

The following table is a summary of the information in Appendix J:

<i>Estimated Tax Impacts</i>				
		Tax Impact on a home assessed at:		
Average Assessed Value for All Properties in Electoral Areas:		\$ 741,582	\$ 741,582	
		2025	2024	Change
ELECTORAL AREA EAST				
Services for all Electoral Areas				
	A	155.66	134.02	21.64
Services for All of Electoral Area East Only				
	B	72.18	67.86	4.32
Services for Ellison Properites				
	C	604.57	512.10	92.47
Total Ellison Properties Example	A+B+C	832.41	713.97	118.43
Services for Joe Rich Properites				
	D	966.23	818.02	148.21
Total Joe Rich Properties Example	A+B+D	1,194.07	1,019.90	174.17
ELECTORAL AREA WEST				
Services for all Electoral Areas				
	A	155.66	134.02	21.64
Services for All of Electoral Area West Only				
	E	231.28	227.75	3.53
Services for North Westside Properites				
	F	510.28	443.51	66.77
Total North Westside Properties Example	A+E+F	897.22	805.27	91.95
Services for Wilsons Landing Properites				
	G	872.93	772.35	100.59
Total Wilsons Landing Properties Example	A+E+G	1,259.87	1,134.11	125.76
NOTE: This chart excludes water, sewer and solid waste service as well as parcel taxes. These services are paid for through a user based payment				

Operational Expenditures

There are three components to operational expenditures, in the Electoral Areas (combined):

- Operating expenses;
- Operating project costs;
- Transfers to reserves.

Notes have been provided, in Appendix L, that explain the changes for each service. A summary of the changes for all services, follows.

Operating Expenses:

Operating expenses in the Electoral Areas, combined, have seen an increase of \$814K, or 11.1%.

<i>Operating Expenses</i>				
Service Type	2024	2025	Change \$	Change %
Protective Services	\$ 2,412,728	\$ 2,766,712	\$ 353,984	14.7%
Development Services	718,854	963,652	244,798	34.1%
Utility Services	2,908,747	3,058,738	149,991	5.2%
Parks Services	711,038	732,772	21,734	3.1%
Other Services	564,609	607,643	43,034	7.6%
TOTAL	\$ 7,315,976	\$ 8,129,518	\$ 813,542	11.1%

From a cost perspective, the largest increases are in the area of fire protection. In total, the proposed increases for these services are \$353K. The largest increases are in the following areas:

- Increased training hours for Paid on Call firefighters to train to the current Office of the Fire Commissioner training standards (\$117K).
- Increasing the planned costs for Fire Smart activities. This additional cost is fully funded through grants (\$65K).
- Increases in the plan to address the increasing costs of supplies, materials and services needed to operating the fire departments (\$64K).
- Debt servicing costs to cover the costs of replacing fire apparatus & vehicles where there are insufficient reserves. These costs have been reduced, where possible, through the use of Community Works Funds (\$300K) to reduce the amount borrowed. This has reduced the annual debt servicing costs by \$28K (net increase = \$58K).
- Annual inflationary adjustment to wages (\$46K).
- Shifting ongoing small maintenance costs from the capital plan to the operating plan (\$47K). Transfers to capital reserves have been partially reduced to offset this (\$34K).
- Reductions in training costs, equipment replacement and some contracted services (-\$43K).

The expenses for development services (business licensing and building inspection) are also seeing an increase of \$245K. The cost increases are being driven by:

- New positions to address workloads - approved by the Regional Board in the April 2024. The positions are funded, in part, with operating reserves (on a decreasing basis over the next three years) to reduce the impact on the tax requisition. Net cost for 2025 = \$47K.
- Inflationary adjustment to salaries & wages. Staffing is a key component of the costs of these services. An inflationary adjustment has been incorporated into the plan (\$46K).

The next largest increase is for the water utilities. The proposed increases are \$150K across the six systems. The increases are predominantly in the following key areas:

- Annual inflationary adjustment to wages (\$26K).
- Inflationary pressures on overall costs for maintenance and supplies (\$81K).
- A shift of ongoing small capital projects from the capital plan to the operating plan (\$25K).
- The above increases are partially offset by savings realized in some contracted services (\$22K).

The costs for parks and other services are seeing modest increases.

Operating Project Costs:

Electoral Area operating project costs (combined) are new in 2025. Historically, irregular maintenance costs were funded from capital reserves (capital expenditures). These expenditures are operational in nature as they do not represent an improvement to assets. Beginning in 2025, those costs that were historically included in capital expenditures have been shifted and included with operating expenditures. In addition, because these expenditures are irregular in nature, they are funded from operating reserves to smooth the impact of them on the annual tax requisition or user fees.

<i>Operating Projects</i>				
Service Type	2024	2025	Change \$	Change %
Protective Services	\$ -	\$ 123,500	\$ 123,500	100.0%
Development Services	-	-	-	100.0%
Utility Services	-	295,000	295,000	100.0%
Parks Services	-	75,000	75,000	100.0%
Other Services	70,000	-	(70,000)	-100.0%
TOTAL	\$ 70,000	\$ 493,500	\$ 423,500	605.0%

Examples of operating projects:

- Water study to determine the sufficiency of wate supply for fire protection;
- Reservoir cleaning once every three years;
- Replacement of various types of valves on a cyclical basis (eg every three years).

Transfers to Reserves:

The final component of Electoral Area operational expenses (combined) are transfers to reserves. Please see the section on “Reserves” for information on how reserves are funded and used. For 2025, transfers to reserves have changed as follows:

<i>Transfers to Reserves</i>				
Service Type	2024	2025	Change \$	Change %
Protective Services	\$ 666,778	\$ 668,433	\$ 1,655	0.2%
Development Services	50,000	50,000	-	0.0%
Utility Services	1,305,707	1,376,388	70,681	5.4%
Parks Services	38,126	45,365	7,239	19.0%
Other Services	25,000	27,500	2,500	10.0%
TOTAL	\$ 2,085,611	\$ 2,167,685	\$ 82,074	3.9%

The largest increase is for the utility services. These increases are to build reserves for the purposes of funding future capital costs. Where possible the increase was minimized by the removal of the need to fund small capital projects from capital reserves.

CAPITAL PLAN

Capital Expenditures

The 2025 - 2029 Capital Plans for each service are shown in Appendix L. Capital plans are developed through the service planning processes and consider:

- The condition of existing assets and infrastructure;
- New or changed service levels to meet the needs & wants of the community;
- Board priorities;
- Regulatory, environmental risk, and health and safety factors.

The proposed 2025 capital plan for the Electoral Area services is \$2.7 million, a decrease of \$1.9 million from the prior year. The following table provides a summary of the planned capital spending by service type:

<i>Capital Expenditures by Service</i>				
Service Type	2024	2025	Change \$	Change %
Protective Services	\$ 2,044,600	\$ 1,484,777	\$ (559,823)	-27.4%
Development Services	68,171	-	(68,171)	-100.0%
Utility Services	2,224,017	1,104,000	(1,120,017)	-50.4%
Parks Services	404,410	185,000	(219,410)	-54.3%
Other Services	-	-	-	0.0%
TOTAL	\$ 4,741,197	\$ 2,773,777	\$ (1,967,420)	-41.5%

Details of the significant capital projects planned for 2025 are:

Department	Project	Description	Cost (thousands)
Protective Services	Ellison Volunteer Fire Department	Replacement of truck U-61 used for supporting incident responses	\$105
	Joe Rich Volunteer Fire Department	Rescue/bush truck RB-51 (partially funded from the Growing Communities Fund, net cost \$100K)	\$315
	North Westside Volunteer Fire Department	Planned replacement of pumper truck R-101	\$315
		Expansion of Station 102	\$300
Utility Services	Killiney Beach Water System	Engineering costs for planned upgrades	\$100
	Sunset Rance Water System	Water surge valve replacement	\$130
	Westshore Water System	Engineering costs for planned upgrades	\$100
		Water surge valve replacement	\$140

The planned capital spending over the remaining four years of the financial plan is:

Service Type	2026	2027	2028	2029
Protective Services	\$ 1,262,800	\$ 1,987,250	\$ 1,809,000	\$ 908,250
Development Services	66,860	-	-	-
Utility Services	405,000	100,000	13,670,467	19,847,100
Parks Services	-	82,400	417,150	149,350
Other Services	-	-	-	-
TOTAL	\$ 1,734,660	\$ 2,169,650	\$ 15,896,617	\$ 20,904,700

Details of the significant planned capital projects for the next four years are:

Department	Project	Description	Year	Cost (thousands)
Protective Services	Ellison Volunteer Fire Department	Expansion of the firehall to add a bay for additional inside storage	2026	\$528
		Planned replacement of tender T-61	2027/2028	\$756
		Planned replacement of engine E-61	2028/2029	\$893
	Joe Rich Volunteer Fire Department	Planned replacement of bush water tender B-52	2026	\$315
		Planned replacement of pumper truck E-51	2026/2027	\$840
		Planned replacement mobile water supply M-103	2027	\$210

Department	Project	Description	Year	Cost (thousands)
	North Westside Volunteer Fire Department	Planned replacement of tender T-101	2027/ 2028	\$735
		Planned replacement of tender T-102 if a FUS extension isn't granted	2028/ 2029	\$735
	Wilsons Landing Volunteer Fire Department	Planned replacement of engine E-42	2027/ 2028	\$914
Utility Services	Killiney Beach Water System	Water supply/treatment system. The project will move ahead when grant funding for 2/3 ^{rds} of the cost is obtained	2028/ 2029	\$12,227
		Low risk projects – completed if external funding is available	2028	\$3,919
	Westshore Water System	Water supply/treatment system. The project will move ahead when grant funding for 2/3 ^{rds} of the cost is obtained	2028/ 2029	\$16,126

Capital Funding

The key source of funding for the capital plan is capital reserves. Reserves are maintained for the purposes of funding the purchase and upgrades of equipment, facilities, and infrastructure. Other sources of funding are grants from external sources, proceeds from the sale of redundant assets, property owner contributions and external borrowing.

The funding sources for the 2025 capital plans for the Electoral Area services are:

Service Type	2024	2025	Change \$	Change %
Proceeds on Sale	\$ 61,000	\$ -	\$ (61,000)	-100.0%
Debt	813,350	-	(813,350)	-100.0%
Grants	313,246	577,935	264,689	84.5%
Reserves	3,553,602	2,195,842	(1,357,760)	-38.2%
TOTAL	\$ 4,741,197	\$ 2,773,777	\$ (1,967,420)	-41.5%

The above table reflects the importance of ensuring sufficient reserves for the ongoing financial stability of the services.

RESERVES

Reserves are a local governments way of saving for future capital activities as well as one-time or limited duration activities. Each of the services provided has a capital reserve account and an operating reserve account. The projected, year-end balances for each reserve, by service, are provided in Appendix L.

Operating Reserve

The use of these funds is restricted to operating expenditures that are either unanticipated or do not occur on an annual basis. For the Electoral Area services, the majority of these are irregular maintenance items. To fund these costs, annual transfers to the operating reserve are included in the plan where needed. When costs are incurred they are funded from this reserve. This reduces fluctuations in annual expenditures, thereby smoothing out annual tax requisition and user fee requirements.

Service Type	2024	2025	2026	2027	2028	2029
Protective Services	\$ 609,904	\$ 514,953	\$ 495,139	\$ 493,311	\$ 497,011	\$ 500,739
Development Services	1,037,160	743,541	511,268	371,199	327,496	362,916
Utility Services	1,892,223	1,913,648	1,843,642	2,017,386	2,025,357	1,931,811
Parks Services	256,349	238,272	230,059	221,785	238,448	255,236
Other Services	278,083	101,869	97,129	93,858	91,562	90,248
TOTAL	\$ 4,073,720	\$ 3,512,284	\$ 3,177,237	\$ 3,197,539	\$ 3,179,874	\$ 3,140,951

Capital Reserves

The use of these funds is restricted to expenditures related to the purchase, major maintenance or upgrades of capital assets. These expenditures are included in the capital plan. Annual contributions to capital reserves are established to maintain a level that provides for funding of future capital expenditures when required.

Because reserves are built up with regular contributions and then drawn down on an irregular basis to fund capital expenditures, the balances in these reserves will fluctuate over time.

Service Type	2024	2025	Change \$	Change %	2026	2027	2028	2029
Protective Services	\$ 2,044,600	\$ 1,484,777	\$ (559,823)	-27.4%	\$ 1,262,800	\$ 1,987,250	\$ 1,809,000	\$ 908,250
Development Services	68,171	-	(68,171)	-100.0%	66,860	-	-	-
Utility Services	2,224,017	854,000	(1,370,017)	-61.6%	600,000	500,000	13,670,467	19,847,100
Parks Services	404,410	185,000	(219,410)	-54.3%	-	82,400	417,150	149,350
Other Services	-	-	-	0.0%	-	-	-	-
TOTAL	\$ 4,741,197	\$ 2,523,777	\$ (2,217,420)	-46.8%	\$ 1,929,660	\$ 2,569,650	\$ 15,896,617	\$ 20,904,700

OVERHEAD RATES

The Regional District has several administration functions. The costs of providing these functions are covered through overhead rates that are included in the financial plan for each service. Overhead rates have been determined in accordance with policy BP7.19 Administration Overhead.

<i>Overhead Charges</i>				
Service Type	2024	2025	Change \$	Change %
Protective Services	\$ 369,321	\$ 559,498	\$ 190,177	51.5%
Development Services	207,250	209,706	2,456	1.2%
Utility Services	628,505	649,311	20,806	3.3%
Parks Services	139,096	145,963	6,867	4.9%
Other Services	38,578	50,924	12,346	32.0%
TOTAL	\$ 1,382,750	\$ 1,615,402	\$ 232,652	16.8%

Overhead rates are charged based on the prior year’s planned operating expenditures, excluding transfers to reserves and debt servicing costs. When there are increases in planned operating expenditures, there is a corresponding increase in overhead charges in the following year. Inversely, when operating expenditures decrease, there is a corresponding decrease in overhead charges in the following year. The former is the situation for protective services where an increase in operating expenditures in 2024 has resulted in a corresponding increase in the overhead charges in 2025.

Next Steps:

With the Committee’s support, the 2025-2029 Five-Year Financial Plan for the Electoral Area Services will be included with the Regional District of Central Okanagan’s draft 2025-2029 Five-Year Financial Plan when it is brought to the Regional Board for consideration in January 2025.

Recommendation(s):

Option 1 – Financial Plan As Presented:

THAT the Electoral Area Services Committee recommends the draft Electoral Area Services 2025-2029 Financial Plan to the Regional Board.

Option 2 – Financial Plan with Committee Recommended Amendments:

THAT the Electoral Area Services Committee recommends the incorporation of the Committee recommended amendments to the Electoral Area Services 2025-2029 Financial Plan

AND THAT the Electoral Area Services Committee recommends the draft Electoral Area Services 2025-2029 Financial Plan, as amended, to the Regional Board.

 Report Approved by: Tania McCabe, CPA, CA, Director of Financial Services

Approved for Agenda: Sally Ginter, Chief Administrative Officer

Attachment(s): Appendix A – Financial Plan Summary – Comparison to Prior Year
 Appendix F – Capital Project Expenditures
 Appendix G – Capital Project Funding
 Appendix J – 2025 Tax Impact Estimates
 Appendix L – 2025-2029 Financial Plan – Service Summary
