



# Regional Board Report

**TO:** Regional Board

**FROM:** Marilyn Rilkoff  
Director of Financial Services

**DATE:** November 15, 2019

**SUBJECT:** 2020 – 2024 Financial Plan Preliminary Items for Discussion

**Voting Entitlement:** All Directors – Unweighted Corporate Vote – Simple Majority – LGA 208.1

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**Purpose:** To provide the Board with a preview of proposed new items for addition to the 2020 - 2024 Financial Plan. This provides an initial opportunity for the Board to review and discuss any items of interest or concern, and to provide staff with any additional preliminary direction for the preparation of the first draft of the Financial Plan.

## Executive Summary:

On February 20, 2020, the first draft of the Financial Plan will be presented. The proposed tax impacts to each area will be summarized for Board discussion and public input. Staff will prepare the budget in a fiscally responsible manner. Tax rates and impacts will be kept as low as possible, while balancing the inflationary pressure on costs (approximately 2.5% per BC CPI), carrying out initiatives in the Board's Strategic Plan, and setting aside sufficient reserves for asset replacement strategies.

There are proposed staffing increases and newly identified capital and operating budget items itemized by service, in Appendix A of this report. Staff is not yet able to calculate overall budget impacts for each service, or by partner area at this time, as some key information is not available until year end.

## RECOMMENDATION:

**THAT** the Board receive the 2020-2024 Financial Plan Preliminary Items report for information.

Respectfully Submitted:

Marilyn Rilkoff, CPA CMA  
Director of Financial Services

Approved for Board's Consideration

Brian Reardon, CAO

*Prepared by:* Carol Teschner, Manager of Financial Services

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**Implications of Recommendation:**

Strategic Plan:	The budget process is part of the means for the Board to carry out their strategic plan.
General:	This review provides guidance to staff to prepare the first draft of the budget.
Organizational:	The budget process provides the resources for the organization to carry out its obligations.
Financial:	The budget bylaw is the annual authorization for spending.
Legal/Statutory Authority:	<i>Local Government Act</i> , Part 11, Division 1, Section 374.

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**Background:**

The RDCO staff has identified proposed new budget items. The detailed list in Appendix A was submitted by Department Directors, and is provided to the Board for background purposes in preparation for the February 20, 2020 budget meeting. The impacts of these items will be shown at that time. Detailed budget presentation, discussion and public input will take place at that time.

**Fiscal Responsibility:**

The Financial Plan preparation will include keeping tax rates and impacts as low as possible while balancing:

- Inflationary cost pressures,
- Carrying out the initiatives in the Board's Strategic Plan, and
- Setting aside sufficient reserves for asset replacement strategies.

**General Impacts to consider:**

- Salaries: Collective Agreement ends December 31, 2019, increases will likely result.
- Utilities: estimate 3 – 5 % increase (\$60k)
- BC CPI 12 Month Average: 2.5% vs. 2.6% prior year
- No new services being added

**Significant Expenditure Items:**

 ❖ Operating:
Expecting increases to Administration Overhead Rates:

Currently, Administrative Overhead rates can vary from 4.52%, 9.03%, 13.55% and 16.75% depending upon the service. The top rate for 2020 is estimated at this time to be in the neighborhood of 18%, similar to most of the partner municipalities. Additional Administrative costs in 2020 include some new initiatives, most of which were previously approved in 2019:

- Corporate Services – addition of Communications Department Head Position

- Human Resources
  - Negotiating a new collective agreement with CUPE. The current agreement is for the time period January 1, 2015 – December 31, 2019. Carry Forward of \$15K for related costs.
  - Additional: Human Resources is looking into HR Software, and also planning expenses related to the Health and Safety Committee.
    - 005 – Human Resources, HR Software \$6k
    - 005 – Human Resources, Health and Safety Committee expenses, such as training and conferences \$3k.
- Information Services:
  - Change over to the Microsoft subscription based licensing. The licenses were previously in the capital budget and part of the computer purchases. Carry Forward: \$50K.
  - Loss of contribution of \$40k from Lake Country GIS Services Contract. Offset by additional Parks Services contribution.

❖ Capital:

Total Capital for 2020 is currently estimated at \$14.547m:

- \$11.447m identified for 2020 in last year's 2019–2023 Financial Plan Bylaw. While most are not mentioned in this report, they are anticipated to remain in the new draft plan for discussion in February. The Parks Services Details have been included for 2020, as the current bylaw did not include specific project details.
  - General Fund \$3.76m
  - Water Fund \$7.3m
  - Sewer Fund \$380k
- Carryover of 2019 Projects \$1.4m estimated.
  - 2019 Carry over items and 2020 Projects to be done in Q1 will be brought forward at the December 9<sup>th</sup> Board meeting as a separate report. It is RDCO practice to obtain approvals for 1<sup>st</sup> Quarter 2020 Capital and any extraordinary operating spending, prior to the March 23, 2020 budget approval.
- Significant New Item \$1.4m:
  - Westside Wastewater Treatment Plant - \$1.4m TWAS Vault
- Estimated additional items \$300k.
  - Most new capital items listed in Appendix A are typical in nature and will be funded through reserves, grants, or Community Works Funds (CWF). By having prepared for these expenditures in advance in the past, through these reserve and capital transfers, the tax rate impact is evened out over several years. In most cases, the capital expenditures listed will not increase the tax rate.

Staffing:

Budgeted FTE's (full time equivalents) in 2019 were 121.762. Over the next couple of months staff will be examining the proposed staffing increase recommendations. Staffing would also be shifted internally, resulting in a net increase of 4.6536 FTE's.

Some of the areas broadly affected:

- Regional Parks (Appendix A Pg. iii) +0.0536 FTE
- Planning Services (Appendix A Pg. vii) +1.0000 FTE
- Building Inspection (Appendix A Pg. vii) +0.6000 FTE
- Economic Development Commission (Appendix A Pg. vii) +1.0000 FTE  
(then shifting a portion of existing EDC Director's time included in EDC's FTE count to other services that are now being managed -- Bylaw Enforcement and Dog Control.)
- Engineering Services (Appendix A Pg. viii) +2.0000 FTE  
(One position is funded by Fortis. Also shifting a portion of the existing Communications Director's time from Solid Waste Management (SWM) to Corporate Services. The Communications Director currently spends 0.5 FTE overseeing SWM operations.)
- Corporate Services: An increase in FTE's allocated from EDC & Engineering to Corporate Services will be caused by the internal FTE shifts above due to:
  - Less staff time will be allocated by Corporate Services Staff to managing Bylaw Enforcement and Dog Control Services now
  - Communications Director time will be added once the new Engineering Manager position is filled.

### **2020 Service Reviews planned**

- Carry Forward from 2019:
  - 142 - Regional Parks
  - 115 – Noxious Insects
  - 116 Noxious Weed Control
  - 030 – Regional Rescue Service
- 110 – Regional /Fringe Area/EA Planning
- 031 – 911 PSAP Emergency
- 040 – Crime Stoppers
- 041 – Victims Services
- 042 – Crime Prevention & Alarm Control
- 019 – Regional Areas Fire Protection
- 043 – Business Licenses
- 044 – Building Inspections
- 095 – Solid Waste Collection
- 105 – Noise Abatement
- 106 – Untidy Premises

**Board Items?**

Are there any other items the Board would like to include or discuss prior to the calculation of the budget?

**Regional Hospital District:**

- ❖ IHA regular capital budget requests typically total \$3 - \$5 million (IHA's letter is normally received in December/January).

**Budget Impacts:**

Budget impacts are not calculated at this time as information to perform detailed calculations and analysis is not yet available:

- ❖ The surplus or deficit for each service will affect the tax rate and amounts available for operating reserves. This information is not yet known until year end is complete.
- ❖ The calculations for tax rates by area are complex as it depends on the combination of services being provided in each area.
- ❖ Changes in annual assessed values are not known, and because growth and market factors vary in each area, some shifts of costs occur between areas for services.
- ❖ Reserve and Capital Transfer amounts are reassessed and updated each year by staff and affect tax rates. Recommendations are based on long term capital needs based on the revised longer term capital plans.

**To Estimate Impact on Regional Tax Services:**

Because there are so many service areas and combinations of services, there is no one tax rate for an area. Some services are paid for via service agreements. The entire draft budget and impacts will be calculated between now and February 20, 2020.

To get an idea of the impact of an item for regional services only (where all members participate), the following increases in requisitions for a service would produce the following impacts based on 2019 assessments (Note: if the items are funded through reserves, there is no impact to the requisition unless the amount transferred to reserves increases in the operating budget):

- \$ 50,000 increase: .0009 / \$1000 of assessment or \$0.67 on \$739,000 home.
- \$100,000 increase: .0017 / \$1000 of assessment or \$1.26 on a \$739,000 home.
- \$500,000 increase: .0087 / \$1000 of assessment or \$6.43 on a \$739,000 home.

**Conclusion:**

This background is being provided for information only. Full reporting will be completed through the budgeting process, beginning with the preliminary budget presentation February 20, 2020.

**Alternative Recommendation:**

The Board may choose to instruct staff to delete or consider additional items in the preparation of the draft budget.

Attachment(s):

- Appendix A – Proposed Budget Items for RDCO 2020 – 2024 Financial Plan