



# Governance & Services Committee

**TO:** Governance and Services Committee

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

**DATE:** February 13, 2020

**SUBJECT:** Draft 1 – RDCO 2020 - 2024 Budget and Financial Plan – Summary Highlights

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**Purpose:** This Draft Financial Plan is provided to the Board for discussion, and to see the impacts of various proposals that have been made for 2020 and upcoming projects and unusual expenses in 2021 - 2024. The Board may then provide further direction to staff for the revision of the Plan for the 2<sup>nd</sup> Budget meeting on March 12, 2020.

## Executive Summary:

General Services average home tax decreases and increases for 2020:

|                 |          |                 |                  |
|-----------------|----------|-----------------|------------------|
| City of Kelowna | Decrease | <b>-\$1.73</b>  | <b>(-0.937)%</b> |
| Peachland       | Increase | <b>+\$2.16</b>  | <b>1.018 %</b>   |
| Lake Country    | Increase | <b>+\$6.17</b>  | <b>2.958 %</b>   |
| West Kelowna    | Increase | <b>+\$0.77</b>  | <b>0.382 %</b>   |
| C.O. West       | Increase | <b>+\$39.53</b> | <b>6.199 %</b>   |
| C.O. East       | Increase | <b>+\$33.56</b> | <b>6.534 %</b>   |

Local Service Areas are in addition to the above.

## RECOMMENDATION:

**THAT** the Governance & Services Committee receive for information the 2020-2024 Financial Plan documentation;

**AND FURTHER THAT** any recommended amendments discussed today be brought forward to the Governance & Services Committee meeting scheduled for March 12, 2020.

Respectfully Submitted:

Handwritten signature of Marilyn Rilkoff in black ink.

Marilyn Rilkoff  
Director of Financial Services

Approved for Committee Consideration

Handwritten signature of Brian Reardon in black ink.

Brian Reardon, CAO

**Please read the Summary Memo in Tab 1 of your binder first, and then come back to this report.**

**This report includes the highlights of some budgets that have the largest tax or rate impacts, and some other large items to be aware of, but please note that all budgets and capital items in Tab 5 should still be reviewed.**

Both the Budget Binder and this report are designed to allow the reader to obtain either a high level summary, or delve further into the detail should they have questions. Tabs 4 & 5 are key, and the other information is supportive in nature.

### **GENERAL INFORMATION:**

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

- Inflationary cost pressures
- Carrying out the initiatives in the Board's Strategic Plan
- Building reserves for asset replacement strategies.

### **Increases to All Operating Budgets:**

- Budgets are not automatically increased with cost of living percentages. All line items are reviewed each year and adjusted based on anticipated need for the year. Any one time expenditures (i.e. studies or projects) are removed or added.
- The Collective Agreement expired December 31, 2019 and increases are expected.
- Increases for utilities and insurance.

### **Summary of Operating Budgets:**

|                            |                     |
|----------------------------|---------------------|
| General Revenue Operating: | \$49,097,915        |
| Water Revenue Operating:   | \$ 1,813,391        |
| Sewer Revenue Operating:   | <u>\$ 5,085,517</u> |
| Total Operating            | \$55,996,823        |

### **Summary of Capital Projects:**

Capital projects and their funding sources are listed in the Capital Fund Budgets for each function (Tab 5). For summaries by function, of capital project totals, see Tab 3, pages 9, 11, and 13.

|                  |                     |
|------------------|---------------------|
| General Capital: | \$ 6,347,506        |
| Water Capital:   | \$ 1,244,204        |
| Sewer Capital:   | <u>\$ 4,383,907</u> |
| Total Capital    | \$11,975,617        |

**Major Capital over \$150,000 are:**

- 121 – Ellison Community Hall – Renovations, Roof, Signage \$190k. Tab 5 – Page 1.
- 142 – Regional Parks – Development, Land, Vehicles & Equipment \$4 million, funded by reserves, & small grant. Tab 5, Page 7.
- 143 – Westside Parks – Improvements & Development \$287k funded by reserves, and Gas Tax Community Works Funds (CWF). Tab 5, Page 11.
- 301 – Killiney Beach Water – Distribution System, Improvements, Equipment \$706k funded by reserves and CWF. Tab 5 – Page 39. Note - \$3.5m for 2022 potentially coming.
- 307 – Westshore Water System – Reservoir, Disinfection and equipment \$423k – funded by reserves. Tab 5 – Page 47. Note - \$3.7m for 2022 potentially coming.
- 401– Westside Wastewater Treatment Plant - \$3.3m. Equipment and Improvements funded by reserves, potential grant and DCC's. Tab 5 -- Page 51.
- 470 – Westside Sewer System: RDCO Lift Stations / Collector Systems – New Projects added: \$1.07m in 2020, \$5.5m in 2021 and \$500k in 2023 and \$4m in 2024. Reserves, DCC's, and debt financing will be required as reserves are insufficient for this level of newly added projects.
- 021 – Ellison Fire Department – SCBA System, Equipment, Hall Improvements \$183k. Tab 5 – Page 75.
- 030 – Regional Rescue – Truck, Equipment, EOC Equipment \$453k. Tab 5 – Page 87.
- 002 – Administration / Corporate Services – Building Improvements, vehicle and equipment \$290.5k funded by reserves. Tab 5, Page 116.

**Summary of Staffing:**

The overall proposal is a net increase in Full Time Equivalents (FTE)'s of 5.199. (From 121.764 in 2019 to 126.963 in 2020). The primary cost centres affected with changes are:

- 0.500 Corporate Services – Energy Efficiency 2 year term position with funding from Fortis (hired part way through 2020)
- 0.570 Engineering Services - Engineering Manager
- 0.600 Building Inspections for additional workload
- 0.600 Dog Control allocation of management and administrative staff
- 0.700 Regional Planning
- 0.300 Electoral Area Planning
- 0.600 EDC – Add Manager and allocate portion of Department Head to other services
- 1.640 WWTP – Add position and allocate others for projects from other cost centres
- (0.558) Various functions, minor adjustments, reductions, and shifts of staff between cost centres.

**Summary of Budgeted Reserve or Capital Transfers:**

Continued work on Asset Management and Renewal is in the work plan for 2020. Five, Ten and Twenty Five Year Plans continue to be revised and developed for various cost centres to assist with planning and forecasting future capital needs and reducing or eliminating the need for financing. In 2020 the following total use and transfers are proposed in this budget. Reserve balances at the beginning of the year - \$30.68m and Forecasted year end balances \$28.49m are shown in Tab 8 by service.

One of the key focuses is increasing the amount of transfers to Facilities and Capital Reserves.

|                                       | 2019 Transfers into Reserves for comparison | 2020 Budgeted Transfers into Reserves | 2020 Budgeted Transfers From (use of reserves) |
|---------------------------------------|---|---------------------------------------|--|
| Capital                               | \$87,083                                    | \$65,000                              | \$65,000                                       |
| Equipment Reserve                     | \$543,389                                   | \$562,976                             | \$2,200,758                                    |
| CWF Reserve                           | \$1,455,384*                                | \$749,534                             | \$689,921                                      |
| <b>Facilities &amp; Equip Reserve</b> | <b>\$4,273,588</b>                          | <b>\$6,895,186</b>                    | \$4,894,871                                    |
| Landfill Closure Reserve              | \$22,000                                    | \$22,000                              | \$55,525                                       |
| Parkland Reserve                      | \$0   | \$0                                   | \$1,213,257                                    |
| DCC Reserves **                       | \$1,827,572                                 | \$700,000                             | \$1,923,333                                    |
| Operating Reserve                     | 422,362                                     | \$413,333                             | \$737,835                                      |
| <b>Total</b>                          | <b>\$12,904,966</b>                         | <b>\$9,408,029</b>                    | <b>\$11,780,500</b>                            |

\*Included one-time additional payment of \$705,850.

\*\* Transfers to DCC Reserves in 2020 are very conservative. In 2019 \$600k was budgeted, and much more was received.

### **Operating Reserves:**

In 2020, staff are proposing setting aside a total of \$413,333 into individual operating reserves for some functions with 2019 surpluses, for future rate stabilization and contingency. The amounts and reasoning are in Schedule A.

### **Recommended Use of Operating Reserves in 2020:**

Budgets in Tab 5 have been presented with the proposed use of \$737,835 of Operating Reserves established in prior years. The benefit is to smooth rate increases between years by reducing impacts on requisitions and rates in 2020. The amounts utilized in the draft of the budget are listed below:

|  |                   |                 |
|--|-------------------|-----------------|
| <b>*001 – Board &amp; Communications</b>   | <b>\$50,000*</b>  | <b>Page 106</b> |
| 002 – Corporate Services                   | \$76,150          | Page 116        |
| 004 – Engineering                          | \$70,000          | Page 29         |
| 006 – Information Systems                  | \$50,000          | Page 120        |
| 008 – Electoral Area Central Okanagan West | \$2,500           | Page 124        |
| 009 – Electoral Area Central Okanagan East | \$1,698           | Page 126        |
| 028 – June Springs Fire Protection         | \$250             | Page 83         |
| 029 – Brent Road Fire Protection           | \$2,000           | Page 85         |
| <b>*030 – Regional Rescue</b>              | <b>\$40,000*</b>  | <b>Page 87</b>  |
| 031 – 911                                  | \$170,000         | Page 98         |
| <b>*046 – Dog Control</b>                  | <b>\$54,000*</b>  | <b>Page 17</b>  |
| 047 – Mosquito Control                     | \$8,000           | Page 31         |
| 095 – SWM: Solid Waste Collection (EA's)   | \$38,000          | Page 69         |
| <b>*142 – Regional Parks</b>               | <b>\$100,000*</b> | <b>Page 7</b>   |
| 401 – Westside Wastewater Treatment Plant  | \$69,000          | Page 51         |
| 470 – RDCO Lift Stations/Collector Systems | \$6,237           | Page 55         |

Alternative:

Alternatively, the Board could elect to keep \$244,000 of the highlighted regional service reserves for future use instead, and the tax impacts on an average home would be between \$2.37 - \$2.81. The total percentage tax increases would stay between 0.353% and 7.082% and \$0.64 - \$42.33 depending on the participant area:

|                 | DRAFT 1                            |           | ALTERNATIVE                    |          | \$ Difference Between options |
|-----------------|------------------------------------|-----------|--------------------------------|----------|-------------------------------|
|                 | Tax Change<br>With \$224k Reserves | % Change  | Tax Change<br>Excluding \$224k | % Change |                               |
| City of Kelowna | (-\$1.73)                          | (-0.937)% | \$0.64                         | 0.353%   | \$2.37                        |
| Peachland       | +\$2.16                            | 1.018 %   | \$4.91                         | 2.314%   | \$2.75                        |
| Lake Country    | +\$6.17                            | 2.958 %   | \$8.93                         | 4.278%   | \$2.76                        |
| West Kelowna    | +\$0.77                            | 0.382 %   | \$3.39                         | 1.674%   | \$2.62                        |
| C.O. West       | +\$39.53                           | 6.199 %   | \$42.33                        | 6.637%   | \$2.80                        |
| C.O. East       | +\$33.56                           | 6.534 %   | \$36.37                        | 7.082%   | \$2.81                        |

**Alternative Recommendation:**

**THAT** \$244,000 of operating reserves not be used for the 2020 budget calculation for four Regional Services as described in the alternate recommendation in February 13, 2020 Governance and Services Draft 1- RDCO 2020-2024 Budget and Financial Plan Summary Highlights Report.

**Use of Community Works Gas Tax Funds (CWF):**

A list of CWF projects for the Electoral Areas is included in Tab 6.

- Some projects have been approved in prior years and are carried over and reflected in the 2020 & 2021 budgets - \$415,721.
- Staff has proposed some additional projects totaling \$301,700 for usage of CWF for the Electoral Areas in the budget.
- A staff report will be brought forward at the March 23rd Board Meeting for approval of the use of these new funds. **While the use of CWF has been shown in the budget, it has been specifically noted in the Budget Notes that these projects require further reporting and Board approval on March 23rd of the use of those funds due to competing priorities and limited availability of funds.**
- A report on historical use and approval of CWF by electoral area and service will also be provided at that time for inclusion in Tab 6.

### **Administrative & Engineering Overhead Rates and Budgets:**

There are 5 overhead budgets that get allocated to all of the other budgets for recovery, in accordance with the Board's Administrative Overhead Policy 7.19.

|  | <b>2019 Rate</b> | <b>2020 Rate</b> | <b>Difference</b>     |
|--|------------------|------------------|-----------------------|
| Engineering (may be added to Level 1 rate below for certain services (i.e. Sewer & Water)) | 3.2%             | 3.3%             | <b>0.1% Increase</b>  |
| Administration Level 1   | 13.55%           | 14.50%           | <b>0.95% Increase</b> |
| Administration Level 2   | 9.03%            | 9.67%            | <b>0.64% Increase</b> |
| Administration Level 3   | 4.52%            | 4.83%            | <b>0.31% Increase</b> |

(Rate level varies for services – only one of the administration rates will apply to a service).

For comparative purposes, the municipal rates are as follows:

|                          |               |
|--------------------------|---------------|
| City of Kelowna          | One rate: 10% |
| City of West Kelowna     | One rate: 18% |
| District of Lake Country | One rate: 20% |
| District of Peachland    | One rate: 15% |

Engineering Overhead (applied only to certain budgets in addition to Administrative Overhead): Rate increase from 3.2% to 3.3% (0.1%). The overall maximum rate with both combined rates is now 17.80% vs. 16.95% in 2019.

- **004 – Engineering** Tab 5, Page 29: **Increase to overhead recovery of \$10k.** Operating costs increased by \$90k for payroll due to the increase of 0.57 to Full Time Equivalent staff (FTE). Large surplus swing reduction of \$118.9k. No transfer to Operating Reserve, instead use \$70k of operating reserves to reduce impact. Water and sewer capital project overhead capital recoveries have been budgeted conservatively. Full usage of the operating reserves amount budgeted will likely not be required. Capital \$12k.

#### Administrative Overhead:

The following budgets are recovered via allocation to all other budgets at the rates above.

- **002 – Administration/Corporate Services** Tab 5, Page 116: **Increase to overhead recovery of \$114k.** Operating budget change of \$130k includes \$30k for legal, and \$25k for Communications. Payroll costs of \$69k and offsetting grant for .5 of a 2 Year Term position. (Fortis will fund up to \$100k the first year and \$80k the second year, for a total of \$180k over the 2 year term.) The position would end half way through 2022. Reduced Rental income of \$36.9k in 2019. Surplus swing is \$123k. Using \$76k of Operating Reserves to reduce impact. Continuing to build

reserves for future projects. No transfer to operating reserves. Capital \$290k – includes \$205k for KLO Building improvements and reconfiguration.

- **003 – Finance** Tab 5, Page 136: **Increase to overhead recovery of \$6k.** Operating increase of \$48.7k for payroll, data processing, contract services, and insurance. Surplus carryover \$81.8k higher and offsets costs. Increase transfer of surplus to Operating Reserve by \$39k. Capital \$95k, includes \$83k for transitioning Finance Servers to IT.
- **005 – Human Resources** Tab 5, Page 118: **Increase to overhead recovery amount of \$6.8k.** Increase to operating expenses \$14k for payroll, software and safety committee. Offset by removal of operating reserve transfer.
- **006 – Information Systems** Tab 5, Page 120: **Increase to overhead recovery amount of \$152.6k.** Lake Country has opted out of GIS Services (\$43k). Regional Parks needs additional specialized GIS services and will transfer \$44 k for this work. There was a large surplus swing of \$84.7k. Operating cost increase of \$94k due to payroll, software and licensing, R&D, and contract services. Transfer from Operating Reserve increased by \$25k to \$50k to offset some costs. Capital \$106k.

#### **FYI Only – General Tax Information for any Reduction or Increase Decisions:**

For regional services, where all partners are involved, on an average \$734,500 RDCO home, every \$50,000 added or deleted, the change to the tax rate would be between \$0.0007 to \$0.0008, and \$0.51 to \$0.59 per home. For other services with different combinations of partners, specific calculations would be required.

#### **Largest Tax Rate or Service Impacts**

Look at Tab 4, Pages 10 – 16 to see the requisition impacts in your area for general services, and which ones have the largest increase or decrease. The page numbers in Tab 5 are noted to the right so you can refer to those pages for further explanation of the increases or decreases. **Explanations of the changes are explained in this section below.**

#### **Summary of Total Requisition or Service Cost Increase / Decrease > \$40k (Tabs 4 & 5):**

| Cost Centre                       | Tax Requisition (TR), or Service Invoice (SI) | Amount of Increase | Tax Impact per avg home | Tab 5 Page |
|-----------------------------------|---|--------------------|-------------------------|------------|
| 142 – Regional Parks              | TR  | \$355,696          | \$1.01                  | 7          |
| 401 – Westside Sewer - WWTP       | SI  | \$192,610          | n/a                     | 51         |
| 046 – Dog Control                 | TR  | \$145,380          | \$1.52                  | 17         |
| 470 – Westside Sewer – Collection | SI  | \$126,529          | n/a                     | 55         |



| Syst.                                  |         |           |          |     |
|--|---------|-----------|----------|-----|
| 120 – EDC                              | TR      | \$105,752 | \$0.89   | 15  |
| 092 – SWM: Westside Transfer Stn       | SI & TR | \$40,850  | n/a      | 63  |
| 094 – SWM: Waste Reduction & Recycling | SI      | \$46,278  | n/a      | 67  |
| 095 – SWM: Collection (EA's only)      | TR      | \$61,432  | \$15.09  | 69  |
| 022 – Joe Rich Fire                    | TR      | \$42,227  | \$135.98 | 77  |
| 030 – Regional Rescue                  | TR      | \$56,572  | (\$0.28) | 87  |
| 111 – Electoral Area Planning          | TR      | \$42,454  | n/a      | 96  |
| 001 – Regional Board                   | TR      | \$92,403  | \$0.63   | 106 |

### **Summary of Services with Large Tax Impact > \$5 per Average Home per Tab 4 page 17:**

Note: Only the Electoral Areas and their local service areas are affected.

| Cost Centre   | Tax Impact per avg home | Tab 5 Page      |
|---|-------------------------|-----------------|
| <b>Included in Electoral Area General Service Rate increases in Tab 4 Pages 7 &amp; 8 (Tax Rates) and 14 &amp; 15 (Requisitions):</b> |                         |                 |
| SWM: Parcel Tax   | \$15.09                 | 63-70           |
|   | <b>Impact</b>           | <b>Tab 5 Pg</b> |
| <b>Electoral Area Local Service Areas (Tab 4, Page 9):</b>  |                         |                 |
| 022 – Joe Rich Fire Department  | \$135.98                | 77              |
| 024 – Wilson's Landing Fire Department  | \$10.95                 | 81              |
| 029 – Brent Road Fire   | \$6.86                  | 85              |
| 028 – June Springs Fire Protection  | \$10.81                 | 83              |
| 123 – Joe Rich Community Hall   | \$19.14                 | 3               |
| 124 – Westside Municipal Recreation   | \$25.15                 | 147             |
| 125 – Johnson Bentley Aquatic Centre  | \$5.25                  | 149             |

### **2020 Budget Changes Explanations (vs. 2019) (Tab 5):**

In most cases, if the tax impact has stayed relatively the same for a service, it will not be mentioned below.

#### **Parks Services:**

**121 – Ellison Heritage School Community Centre** Pages 1-2: Requisition increase of \$7k for operating costs with tax impact of \$2.93 per average home. Capital \$190k, partly funded by \$110k of previously approved Community Works Funds and an additional \$76.85k if approved by the Board in 2020. Capital Projects \$190k, funded with \$110k of previously approved Gas Tax Community Works Funds (CWF). Requesting additional \$76.85k be approved for usage.

**123 – Joe Rich Community Hall** Pages 3-4: Requisition increase \$6.2k. Increase of \$19.14 per average home. Operating increase for Electricity \$6k. There will be a corresponding decrease in 022 – Joe Rich Fire. Metering installed to allocate costs correctly. Reserves must continue to be built, and \$7k transfer is minimal amount. Increasing by \$1k annually. Capital Projects \$106k funded with \$82k of previously approved Community Works Gas Tax Funds. Additional \$21.85 k being requested for approval.



**142 – Regional Parks** Pages 7-10: Requisition increase \$355.7k. An increase of \$1.01 per average home. Primarily due to Operating increase of \$155k: including staffing costs \$96k, GIS Program \$44k, Contract Services \$50k and Vehicle Operations \$20. Planning has been reduced by \$42.7k. Various other line items have changed slightly. There is a reduction in the surplus carry forward from year to year of \$102k. Using \$100k of operating reserve to reduce impacts. Net increase to combined reserve contribution and debt funding is \$60k as follows:

- In 2019, for future financial plans, the Board approved that the net combined amount being transferred to reserves and for land acquisition debt is only to increase by 1.5% annually, as a reasonable representation of assessment growth.
- In the past, a specific tax rate of \$0.09 was used, which would have created an unintended consequence of causing a large tax increase per average home.
- As debt has been reduced or ended in prior years, the equivalent of those former short term land acquisition payment amounts which ended in 2019 (\$2.2m) continues to be directed into funding capital reserves as planned.
- The total now being transferred to reserves is \$4.19m. (\$2.2m re: shift from debt payments, \$1.9m continued transfers to reserves, plus 1.5% for growth as directed)

Capital Budget of \$4m includes \$2.5m for development and \$1.2m to complete land acquisition strategy.

**143 – Westside Parks** Pages 11-12: \$11.5k Requisition Increase. Increase to average home is \$4.79. Operating Increase \$8k for payroll, legal, and contract services. Use of Community Works Funding of \$78.8k previously approved and carried forward, requesting use of \$203k more for capital projects. Capital projects \$287k.

**144 – Eastside Parks** Pages 13-14: Requisition increase \$4.9k. Increase to average home is \$1.10. In 2019, due to extra surplus, additional \$8k transferred to reserves. Returning to planned reserve transfer level of \$10k due to reduction in surplus from year to year. Minor operating increases. Capital Projects \$22k.

### **EDC:**

**120 – EDC** Pages 15-16: Requisition increase of \$105.8k. Due to growth, result for average home is an increase of \$0.89. Operating increases include Payroll \$65k (0.6 FTE increase approved in 2019), & Advertising and Promotion. Additional grant and partnership revenue for advertising and promotion projects offset some of the costs. The \$10k increase for the Okanagan Film Commission adds \$0.12 to an average home (this information was requested by the Board in a previous meeting).

### **Corporate Services – Bylaw Enforcement Services:**

**046 – Dog Control** Pages 17-18: Requisition increase \$145k. Increase to average home is \$1.52. Used \$54k of Operating Reserve to reduce tax impact. Operating increases of \$127.8k primarily for payroll and other line item increases. Reduction in surplus from year to year was \$68k which contributes to the requisition increase. Capital \$41k.

**116 – Noxious Weed Control Bylaw Enforcement** Pages 27–28: No requisition change. Transfer part of surplus to Operating Reserve \$8.9k.

### **Engineering Services – Public Works:**

**047 – Mosquito Control** Pages 31-33: Increase to requisition \$13.3k. Due to growth the average home will see a decrease of \$2.59. Increase is caused by change in surplus carried forward and small contract cost increase. Using \$8k of Operating reserve to reduce the impact.

**058 -- Scotty Heights Street Lights** Pages 33-34: No change. Transfer \$881 surplus to Operating Reserve. Decrease to average home \$2.58 due to growth.

**091 – Effluent / Water Disposal** Pages 35-36.: No tax requisition. To avoid tax requisitions of the use of operating reserves in the future, rates need to be reviewed. Future capital needs must also be reviewed and established to ensure that there are adequate reserves planned.

**199 – Fleet Pool Capital** Pages 37-38: Capital \$95.7k – Vehicle & Equipment.

**301 – 310 Water Systems** Pages 39-50: No impact to tax rates or service contracts. Funded by user fees only. Rates were reviewed and increased in 2019. Maintenance/ Asset Renewal Fees are being transferred to capital reserves. In some cases it will not be possible to transfer the full amount. Rates may need further review for these systems:

- 303 – Falcon Ridge: 2020 \$16.3k transferred vs. \$31k.
- 305 – Sunset Ranch: After 2020, it appears it will not be possible to transfer the full amount.
- 306 – Trepanier: After 2020 it appears it will not be possible to transfer the full amount. The full amount was transferred in 2020 only because there was a 2018 surplus and additional insurance proceeds were received.
- 307 – Westshores: 2020 \$362k transferred vs. \$367k.
- 310 – Fintry Shalal: After 2020 it appears it will not be possible to transfer the full amount.

Capital Projects totals as below. Items of note:

- 301 – Killiney Beach Water System – 2020: \$706k, 2022 \$3.5m – financing would be required unless alternative solution is found.
- 303 – Falcon Ridge Water System -- \$43k
- 305 – Sunset Ranch Water System – \$33k
- 306 -- Trepanier Water System -- \$3.6k
- 307 – Westshores Water System – 2020: \$423k in Capital, 2022: \$3.7m – financing would be required unless alternative solution is found.
- 310 – Fintry Shalal Water System – Capital \$35.4k.

### **401 to 472 -- Wastewater Treatment Plant & Collector Systems** Pages 51-60:

- Budget has been taken to Stakeholder Committee Feb. 12<sup>th</sup> and it was recommended:
  - **THAT** the Westside Regional Wastewater Treatment Plant Stakeholder Select Committee receive the Westside Sewer System Draft 2020-2024 Financial Plan Report for information; and
  - **AND THAT** the Committee recommends increasing reserve funding and capital levels from 40% to 45% of the recommended annual replacement amount.
  - **AND FURTHER THAT** the Committee recommends the Westside Sewer System budgeted Draft 2020 – 2024 Financial Plans to the Board.

- **And FURTHER THAT** the Committee recommends to the Board that the Westside Sewer System \$1 million Blower project be deferred to a future year should grant funding not be approved in the \$600,000 to \$700,000 range as noted in the budget.
- Totals: CWK: \$230k increase, Peachland \$13.5k increase, WFN \$85k increase.

**401 Wastewater Treatment Plant** Pages 51-54: Net change to recovery from partners - \$192.6k increase. (WK - \$131.2k, Peachland \$5.3k, WFN \$56k).

- Shift in 5 year average flow splits for partner cost sharing: 0.44% increase to WFN and reductions to West Kelowna (-0.21%) and Peachland (-0.23%).
- Operating cost increase \$43k primarily due to payroll for adding 1.64 FTE, maintenance, and other minor line items, offset by decreases in biosolids costs and contract services.
- Imperative to increase funding the annual Capital Reserve Transfers or capital funding from 40% to 45%. \$2.4m in large new capital projects have been identified for 2020 and a new roof is planned for 2027 for \$2m. Reserve Transfer increase of \$93.7k.
- Using \$69k of Operating Reserves to reduce impact of additional costs. (\$100k was budgeted in 2019 – reduction of \$31k). Need to maintain some operating reserve for emergencies.
- Capital Projects of \$3.3m total.

**470 – RDCO Lift Stations/Collector Systems** Pages 55-56: \$126.5k increase to partners. (WK - \$98.7k, WFN - \$27.8k)

- Shift in costs due to 5 year flow split average 0.38% from West Kelowna to WFN.
- Operating Cost increase \$56k primarily for Sewer Line Maintenance & Flushing and Camera Inspection.
- Imperative to increase reserve transfer by \$16k from 40% to 45% level.
- New Capital Projects \$1.06m in 2020 with \$10m total for 2 lift stations from 2021 - 2024.
  - Note: Class D estimates for projects. More information required from Engineering and Design studies. These are capacity projects and would therefore qualify for DCC funding, however there are currently insufficient DCC reserves for these newly identified projects, and \$4m in financing for each lift station project would be required if grants could not be obtained.

**471 – WFN Lift Stations/Collector Systems** Pages 57-58: Minor decrease \$1.2k.

**472 - Peachland Lift Stations/Collector Systems** Pages 59-60: Increase \$8k for Peachland.

- Operations increase \$11k and increase annual reserve transfer level from 40% to 45%, or \$2k. Previous year's surplus increase offsets some of the increase.

**Engineering Services -- Solid Waste Management:**

**Note: SWM is one service and the following cost centres are separated out for cost tracking purposes for sub-programs. The Electoral Area Parcel Tax will increase from \$34.29 to \$49.38.**

**092 – SWM: Westside Waste Disposal & Recycling Centre** Pages 63-64: \$40.9k increase to partners – Peachland (\$4.6k), CWK (\$26.3k), EA's (\$4.5k), WFN (\$5.5k). \$15k reduction in metal sales revenue. Operating expenses increased, but were offset by removal of drywall recycling program costs. Continue to transfer \$22k to Landfill for Closure Reserve (see below). Increase transfer to reserves by \$24k for revised capital estimates for transfer station trailers of \$300k. Capital \$12.8k

**093 – SWM: Westside Landfill Closure** Pages 65-66: Based on updated Landfill Closure Plan, it has been determined that closure reserves are likely too low. Continue to transfer \$22k to reserves. The affected participants are being billed via cost centre 092 above and the amount is transferred into the landfill closure reserve.

**094 – SWM: Waste Reduction & Recycling Program** Pages 67-68: \$46.3k increase in estimated cost to partners - Kelowna (\$34.3k), Peachland (\$1.5k), Lake Country (\$3.5k), West Kelowna (\$8.8k), EA's (1.8k decrease). Increased operating costs \$50k primarily due to Waste Composition Study \$35k and Education Programs \$15k. Note: partners are only invoiced for actual costs during the year. If projects are deferred, partners are not invoiced. Capital \$5.8k

**095 – SWM: Solid Waste Collection (Electoral Areas)** Pages 69-70: Costs were previously covered by Fees and rebate revenue. The SWM Parcel Tax will need to be increased for the EA's by \$61.4k to cover the additional costs for this portion of the service. The increase is primarily a result of reductions to MMBC rebates, the surplus reduction of \$52k, prior year interim contract costs (budget amendment was done to reduce 2019 deficit to zero), and an increase of \$8.4k in reserve transfers. \$38k of the Operating Reserve has been used to reduce the tax impact. Utility Billing Garbage Collection rates may need review to possibly reduce the parcel tax in the future. Capital \$25.5k.

**Engineering Services – Fire Services:**

Staff has updated 20 year capital plans for the four fire departments with upward revised cost estimates for apparatus and fire hall improvements. In most cases, increases to reserve transfers are being recommended and resulting in tax requisition increases.

With Fire Services, it is possible that future out of area wildfire responses could enable additional transfers to reserves, as was the case in 2018 and some past years. However, this should not be relied on, as in 2019, there were almost no responses, and no additional reserve transfers.

**019 – Electoral Area Fire Prevention** Pages 71-72: Tax requisition increase \$9.3k, or \$2.29 per average home. Increases: Payroll \$2k, Equipment \$1k, Vehicle Operations \$2k. Building reserves for future truck replacement \$5k.

**020 – Lakeshore Road Fire Protection Pages 73-74:** Minor tax requisition increase \$101. Impact on average home is \$2.73 increase (only about 35 properties).

**021 – Ellison Fire Department Pages 75-76:** Requisition increase of \$17.9k, however due to growth, the average home will only see a \$0.23 decrease. Transfer \$30k to operating reserve for eventual loss of \$45k in revenue from contract with City of Kelowna for Country Rhodes service area. They will take on service likely in 2021 themselves. The transfer to capital reserves must be increased from \$100k to \$115k. Cost estimates for 20 year major capital needs have increased from \$1.55m to \$1.785m and some timing changes have occurred. In order to build capital reserves for these apparatus and eliminate the need for debt financing, reserve transfers and tax requisitions will need to increase by \$15k annually from 2021 - 2023 in addition to any operating increases to raise additional funds now required in the next 4 years. 2020 Capital Projects \$183k.

**022 – Joe Rich Fire Department Pages 77-78:** Tax requisition increase of \$42k. This has a significant tax impact per average home of \$135.98. There was a \$25k 2019 deficit due to overspending by those with delegated spending authority for this service. The deficit was not mitigated with a budget amendment to reduce transfers to reserves. These reserve transfer levels are critical to future apparatus purchases and should not be reduced. As well, additional net revenue of \$11.6k for fire department responses should have been transferred to reserves as per regular Board practice, but that had to be used to cover the deficit instead, or it would have reached \$36.6k. The net deficit of \$25k has been carried forward into the 2020 budget and must be recovered through additional taxation. It is imperative to keep up with planned reserve transfers to reduce the need for debt for capital. 2020 Transfer is \$110k. There are two firehalls that need to be staffed, equipped and maintained, and the assessment tax base is low. It is strongly recommended that reserves continue to be increased at the recommended levels. Apparatus purchases/replacement estimates have increased from \$1.6 million to \$2.135 million, and are scheduled to be replaced between 2022 – 2036. Net Operating increases of \$4k for increases to various line items including payroll and equipment, which are offset by a few decreases. Electricity has been reduced by \$4.5k as these costs have been shifted to 123 – Joe Rich Community Hall based on meter install. Capital Projects \$148k.

**023 – North Westside Fire Rescue Department Pages 79-80:** Tax requisition increase of \$11k. There is an increase in cost to the average house of \$4.58. Reserves must be built to fund significantly revised estimates of \$3.356m in truck replacements from 2025 – 2036 and eliminate financing. Previous estimate was \$1.6m. Recommend transferring \$36k of 2019 surplus and \$6.9k of reduction to operating cost to reserves. Also start increasing regular reserve transfers by \$11k annually (in 2020 going from \$108k to \$119k). Capital Projects \$88.5k.

**024 – Wilson’s Landing Fire Department Pages 81-82:** Requisition increase \$ 9k. The impact to an average house is an increase of \$10.95. In addition to Operating increases of \$24k including payroll, training, uniforms, turn out gear cleaning, equipment and various line items. It is strongly recommended that reserve transfers are increased by \$8k in 2020, then \$10k annually thereafter. Truck replacement estimates have increased from \$1.1m to \$1.540m for 2031 – 2038. Estimates for hall improvements over 20 years are \$383k. Reserve transfers were reduced below planned levels between 2017 to 2019 due larger tax increases each year (Bear Creek fire deficit, and addition of Medical First Responder Service). Capital \$87k.

**028 – June Springs Fire Protection** Pages 83-84: Minor requisition increase of \$257 results in increase of \$10.81 per average home because there are only 27 properties in this service. Uses \$250 of Operating reserve to reduce impact to this level.

**029 -- Brent Road Fire Protection** Pages 85-86: Requisition increase of \$1.2k results in increase of \$6.86 per average home because there are only 67 properties in this service. Used \$2k of Operating Reserve to smooth tax impact.

**030 – Regional Rescue** Pages 87-89: Requisition increase \$56k. There is a decrease of \$0.28 per average home due to growth. Surplus decreased from prior year by \$41.8k, contributing to requisition increase. 2019 Surplus includes carryforward of \$75k for one time reviews (\$35k for Radio Review, \$20k Operating Guidelines, and \$20k for Emergency Management Plan as recommended by CoK Fire Department managing staff). CoK Fire Dispatch contract increase \$26k offset by other operating decreases. Using \$40k of Operating Reserve. Increase reserve transfers by \$5k. Revised estimates for 20 year capital now at \$3.3m. 2020 Capital \$453k.

### **Community Services - Inspections:**

**044 – Building Inspection and Other Bylaw Enforcement** Pages 92-93: Minor Tax Requisition increase \$1.7k or \$0.25 per home for EA's for Bylaw Enforcement part of service. This cost centre is effectively 2 services in one. Building Inspection portion of budget is tracked separately and is currently self-sustaining with no tax requisition. There is a large increase in the surplus carry forward due to high building permit revenues in 2019. This is offsetting increased operating costs to complete additional permit work received, and \$154k is being transferred to operating reserves. Operating costs have increased by \$74k.

### **Community Services - Planning:**

**110 – Regional Planning** Pages 94-95: Tax requisition increase \$17.8k, or \$.05 per average home. Operating cost decrease \$15.7k due to contract services. Adding .7 Staffing FTE. Decrease in Regional Growth Strategy (RGS) Projects of \$271k. Corresponding grant revenue also removed. Transfer \$8k to reserves. Capital \$7k.

**111 – Electoral Area Planning** Pages 96-97: Requisition increase \$42k. Increases as follows: Kelowna \$11,379, Peachland \$197, Lake Country \$379, West Kelowna \$3,230, CO West \$16,649, CO East \$10,620. Operating increase \$37k. Adding .3 Staffing FTE. Surplus reduction \$5k. Capital \$7k.

### **Community Services - Policing:**

**031 – 911** Pages 98-99: Requisition increase of \$10k for RDCO's share of program. Impact to average home is a \$0.02 reduction due to growth. Contract costs have decreased by \$19k. A one year extension is in place. As planned, Operating reserves are being used to cover the \$150k texting technology upgrade.

**040 – Crime Stoppers** Pages 100-101: Requisition increase \$17.4k. The average home will see a \$0.09 increase. Increases for payroll and contract services primarily.

**041 – Victims Services** Pages 102-103: Tax requisition increase \$11k. Decrease to average home \$.03 due to growth. Operating expense increase of \$19.6k for payroll, and travel. Transfer \$5k to Operating Reserve to reduce impact of likely surplus reduction next year. Increased revenue of \$13k due to accounting timing change in 2019.

**042 – Crime Prevention & Alarm Control** Pages 104-105: Minor requisition change. Decrease of \$0.19 per average home due to growth. Minor operating increases. Transfer a portion of increased 2019 surplus (\$8k) to operating reserve.

### **Board:**

**001 – Regional Board** Pages 106-107: Requisition increase \$92.4k. Impact on average house is \$0.63. Increased operating costs of \$32k include Payroll for staff, Advertising for Citizen's survey, and Communications. Surplus reduction of \$62k affected requisition increase. Using \$50k of Operating Reserve to reduce tax impact. Capital \$38.6k. (Note: commitment for website refresh will be made in 2020 but will carry into 2021.)

**011 – Regional Grants in Aid** Pages 108-109: Community Gardens is the only GIA included. The amounts are shown at 2018 contribution levels for participants.

**012 – Grants – EA CO West** Pages 110-111: Requisition increase \$1.8k or \$0.98 per average home, due to surplus reduction. Proposed committed amounts \$6,671: CWK School Liaison Officer \$3,200, Wildsafe Program \$371, NWCA \$1,600, NWSC \$1,500. Budget is \$7,100.

**013 – Grants – EA CO East** Pages 112– 113: Minor requisition change.

### **Corporate Services:**

**007 – Electoral Areas** Pages 122-123: Requisition increase \$1.5 or \$0.21 per average house. Increase transfer to capital reserves from \$7k to \$25k as Orthophotos will now be refreshed every 2 years at an estimated cost of \$82k. Reserve transfers will need to increase to at least \$41k in the future. Transfer \$22k of surplus to operating reserve for 2022 election costs. No further transfers to feasibility required. Reserve is presently over \$70k.

**008 – Central Okanagan West EA** Pages 124-126: Requisition increase \$8k, or \$4.35 per average home. 2019 Budget Amendment was done to reduce 2019 deficit to nil. Surplus reduction of 7.4k and operating increase of \$2k. Using \$2.5k of Operating Reserve.

**009 – Central Okanagan East EA** Pages 126-127: Requisition increase \$5.7k or \$3.16 per average home. 2019 Budget Amendment was done to reduce 2019 deficit to nil. Surplus reduction of \$4.4k and operating increase of \$1.5k. Using \$1.7k of Operating Reserve.

**050 – Transportation Demand Management (STPCO)** Pages 128-129: Requisition decrease of \$3.5k, or \$1.21 per average home. Transfer all of \$2.6k surplus to operating reserve. Electoral Areas only.



**085 – Ellison Transit** Pages 130-131: Minor requisition increase of \$730 or \$1.16 per home. Service expansion in Fall 2019, with 2020 being the first full year of service. Surplus is able to cover increase in operating cost for full year of operating cost increases. There are operating reserves available for next year to reduce the impact of a decreased surplus. Effectively there is a deferral of the tax increase.

**102 – Air Quality Service** Pages 132-133: Requisition increase \$3.6k. Minimal effect due to growth. \$0.05 decrease per average home.

**117 – SIR** Pages 134-136: While there is absolutely no change in requisition, there is a shift to Kelowna of \$3.6k from other areas due to property assessments (mostly due to growth).

### **Finance & Administration:**

**101 – OBWB** Pages 145–146: Requisition increase \$2k due small budget increase and shift between participating regional district partners due to assessment value increases in RDCO.

**124 – Westside Recreation** Pages 147-148: Requisition increase \$8.8k or \$25.15 per average home. Increase is based on West Kelowna tax rates provided.

**125 -- Johnson Bentley Memorial Aquatic Centre** Pages 149-150: Requisition increase \$1.2k or \$5.25 per average home. Increase is based on West Kelowna tax rates provided.

**171 – Okanagan Regional Library** Pages 153–154: Requisition increase \$5.6k results in \$0.24 decrease per average home due to growth. IT device replacements and 2 service staff positions. Funding allocation formula was satisfactorily resolved based on 2019 appeal to use 0.2% annual adjustment for population based on past history. (Note: This is function is only for the EA's. Municipalities contribute directly.)

**189 -- Fiscal – Member Municipal Debt Financing** Pages 157-158: Reduction to debt payments of \$4.5m.

### **Direction Required for next Meeting:**

Direction regarding alternative recommendation to remove operating reserves for the 4 Regional Services noted in the report.

Are there any other changes requested?

### **Outstanding Issues:**

- 011 – Confirm Regional Grants In Aid participation for Community Gardens.
- EA Grants in Aid: Electoral Area West (cc 012) chose not to participate in Starling control in 2017 and 2018 and 2019 via EA Grants in Aid. In 2019 EA East participated (cc 013). Is that still the case for 2020? Confirm budgeted GIA amounts are sufficient for each area.
- Community Works Fund approvals for new projects report coming March 23rd.

## Schedule A

### **RDCO 2020 Proposed Transfers to Operating Reserves for future rate mitigation \$413,333 (See Tab 5). Any additional reasons are specified below:**

|   |
|---|
| <ul style="list-style-type: none"><li>• <b>003 – Finance - \$174,594</b> - For future administrative overhead rate stabilization and funding cloud based software through operating rather than capital. Page 136</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>007 – Electoral Areas - \$22,000</b> - For election year funding. Page 122</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>020 – Lakeshore Road Fire Protection - \$700</b> Page 73</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>021 – Ellison Fire - \$30,000</b> - for rate mitigation when Kelowna takes over Country Rhodes area. Currently they pay \$45,000 annually to RDCO to provide service. This is expected to end in 2021. Page 75</li></ul> |
| <ul style="list-style-type: none"><li>• <b>027 – Ridgeview Fire (NWFR) - \$80</b> - reduce parcel tax in final year. Page 141</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>041 – Victims Services - \$5,000</b> Page 102</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>042 – Regional Crime Prevention - \$8,000</b> Page 104</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>043 – Business Licenses - \$6,089</b> - for future projects. Page 90</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>044 – Building Inspection - \$153,939</b> - for completion of work and rate mitigation. Page 92</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>050 – Transportation Demand Management - \$2,555</b> Page 128</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>051 – Lakeshore Road Improvements - \$27</b> Page 143</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>058 – Scotty Heights Street Lights - \$881</b> Page 33</li></ul>   |
| <ul style="list-style-type: none"><li>• <b>106 – Untidy Premises - \$576</b> Page 23</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>116 – Weed Control - \$8,892</b> Page 27</li></ul>   |