

LAKE COUNTRY

Life. The Okanagan Way.

# 2017 FINANCIAL PLAN

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## Chief Financial Officer's Executive Summary

This 2017 – 2021 Financial Plan is being presented in accordance with sections 165 and 197 of the *Community Charter*. In accordance with the legislation, the Annual Financial Plan, an Annual Revenue Policy and Annual Tax Rate Bylaw must be adopted by May 15<sup>th</sup> of each calendar year.

The 2017 Financial Plan contains the recommendations of staff, cumulative influence of Council requests and resolutions and supports the Council Strategic Priorities Plan.

To ensure the long term viability of the District, adequate reserves must be set aside to cover emergency situations, cover long term capital commitments and provide a source of funding when grant opportunities are presented and the District must be able to fund their portion. The 2017 Financial Plan supports this direction and reflects transfers to appropriate reserves. New in 2017 is transfers to various capital reserves that fund the capital projects annually. The transfers are set but Council can still deliberate the merits of each capital project recommended by staff and choose to approve or not approve, however the funds will return to the respective reserve where the project was proposed to be funded from.

Non market growth is the term applied to increases in the value of property due to activities such as new construction. In 2017, non-market growth value changes are forecast to bring in new revenues of \$367,649.

The draft plan includes a proposed 3.5% tax increase which includes 1.5% for the Transportation for Tomorrow Plan and 2% for the General Tax Increase.

Staff are recommending a decrease to the Garbage and Recycling rate that reflects the contract with MMBC and the amount of user fees received for that service. There are no recommended changes to the water or sewer rates for 2017.

Changes in Revenue and Expenses from 2016 to 2017  
Significant changes:

### **Building the 2017 – 2021 Financial Plan**

The financial plan presented was compiled from prior year information, input from each of the Directors and known changes for 2017 such as the wage and other contractual increases. The 2017 Financial Plan was reviewed in detail by the Chief Administrative Officer, Chief Financial Officer and the Directors.

There have been significant changes to the administration charges, with each department paying a portion of the administration expenses. Administration expenses include the expenses of the internal service departments that are supporting the organization. These supporting departments include Finance, Administration, Corporate Services, Human Resources and Information Technology. This has resulted in increases to sewer and water administration charges as well. The result is an increase in revenues offset by an increase in expenses for each department.

A five year Capital Plan has been prepared for review by Council. The Capital Plan incorporates the various long term master plans completed by the District as well as Council Strategic Priorities and other projects necessary for ongoing operation of the District. It is proposed that all the recommended capital projects be funded from various reserve funding sources.

The review of the Financial Plan by Council in a public meeting will begin with an overview presentation of the budget and challenges in building the 2017 – 2021 Financial Plan, in November 2016. A detailed review of the plan will occur in December 13, 2016. There will be opportunities for public input during both those meetings but staff are recommending trying other methods of getting the Financial Plan information out to the public for input and feedback. These recommendations will be reviewed by Council at the meeting December 13, 2016.

It is expected that the adoption of the 2017 – 2021 Financial Plan will be complete in February 2017.

Tanya Garost, CPA,CA

Chief Financial Officer

## Changes from 2016 to 2017

(a) Net tax requirement for 2017	\$365,087
(b) Supplementals Requested	<u>\$375,311</u>
(c) Total 2017 increase	<u>\$740,398</u>

(d) 3.5% Property Tax Increase	\$367,649
3.5% Taxes from Assessment Growth	\$367,649
Increase in Grant in lieu of taxes	<u>\$ 5,100</u>
Total	<u>\$740,398</u>

- (a) This is the amount of budgeted expenses added to the base budget to continue providing the same level of service as was provided in 2016 less the amount of additional revenue added to the base budget projections.

The expense increase includes items such as:

- Salary, wage and benefit increases
- Contractual increases such as roads maintenance and RCMP
- Utility increases for hydro, natural gas and water

The revenues added are mostly fees and charges such as

- an increase in the fire agreement with the City of Kelowna
- increase in interest revenue from investments
- increases in the building permit revenue budgeted for

The \$365,087 is the net tax requirement to continue operating the District with the same level of service and with the same number of staff as the previous year.

- (b) This is total amount of supplemental operating expenses requested including operational expenditure increases and five full time staff requests
- (c) This is the total increase requested for 2017
- (d) This is how staff is recommending the increase be funded

## Where Does the Money Come From - Revenues

Property taxes have increased 7.0% over the prior year. This is comprised of:

1.5%	Transportation for Tomorrow Increase	\$144,468
2.0%	General Tax Increase	\$223,181
3.5%	Expected taxes from assessment growth	\$367,649
<u>0.0%</u>	<u>Increase in Grants in Lieu of Taxes</u>	<u>\$ 5,100</u>
7.0%	Total	\$740,398

Parcel taxes have increased as a result of the number of new properties that are expected to be created in 2017. This includes roads, water and sewer parcel taxes.

Fees and charges revenue has increased due to the following factors:

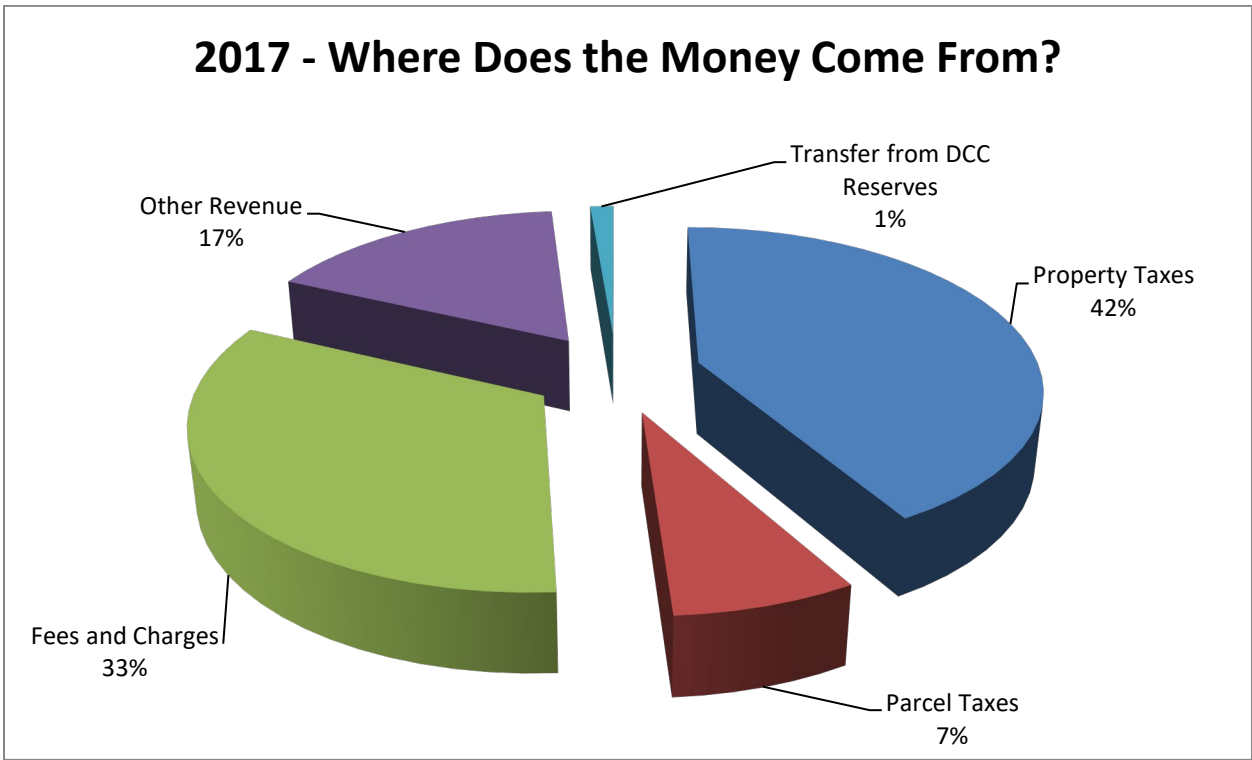
Kelowna Fire Services contract	\$ 27,244
Transit	\$ 30,000
Garbage & Recycling	\$ 22,000
Planning & Building Fees (based on prior years actuals)	\$ 75,400
Parks & Recreation (based on prior years actuals)	\$ 53,885
Water	\$341,889
Sewer	\$ 20,180
Miscellaneous other increases	<u>\$ 22,800</u>
Total	\$593,398

The District made significant changes to how Other Revenue has increased due to:

Increase in administration revenue	\$2,221,960
Offset by :	
Decrease in capital grants received in 2016	(\$1,653,218)
Decrease in transfers from reserves	(\$ 281,999)
Miscellaneous other changes	<u>(\$ 2,461)</u>
Net Increase	\$ 284,282

Transfers from DCC Reserves have decreased as the Capital Plan has not yet been funded in the Financial Plan. Once Council has approved the 2017 Capital Plan, the funding sources will be added to the 2017 Financial Plan.

Revenue	2016	2017	\$ Change	% Change
Property Taxes	10,599,818	11,340,216	740,398	7.0%
Parcel Taxes	1,899,732	1,976,340	76,608	4.0%
Fees and Charges	8,363,280	8,956,678	593,398	7.1%
Other Revenue	4,271,113	4,555,395	284,282	6.7%
Transfer from DCC Reserves	1,418,458	340,822	(1,077,636)	-76.0%
<b>Total Revenue</b>	<b>26,552,401</b>	<b>27,169,451</b>	<b>617,050</b>	<b>2.3%</b>



### Where Does the Money Go - Expenses, Debt and Transfers (Excludes Amortization)

There will be a significant change in 2017 on how the District pays for the capital projects annually. In order to allow planning and stability of tax rates annually, the District will transfer a percentage of property taxes to a Reserve or Savings Account and then the capital projects will be paid for out of that account. That will allow any monies leftover from projects to return to the savings account to be used at a later date on another project. By using this method, staff are also better able to plan projects for upcoming years, as future balances of the reserve accounts can be estimated. As well, this allows Council to set money aside over a number of years if they are saving for a larger project. This is why

there is a significant increase in the transfers to reserve over prior year. Capital projects are planned for 2017 and will be taken from the reserve accounts.

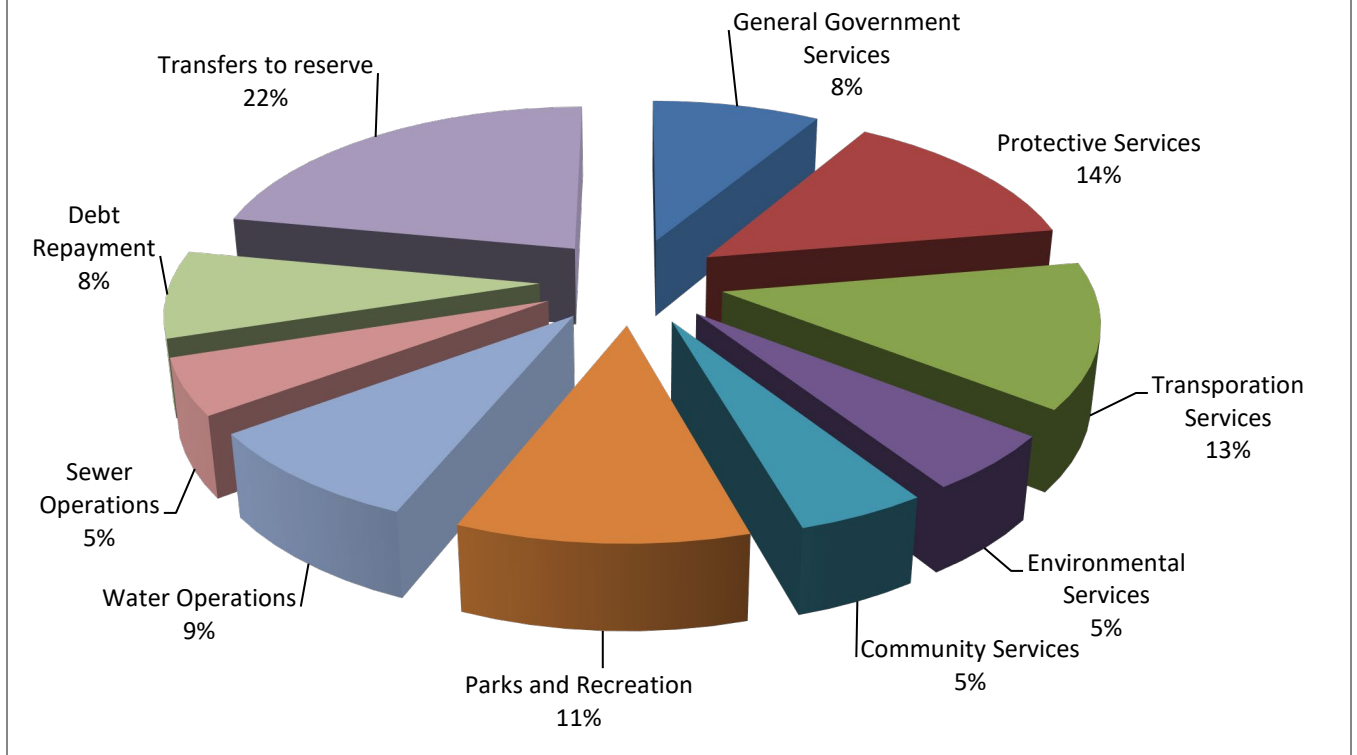
Other significant increases in expenses include:

Salaries, wages & benefits	\$ 379,374
Contractual Increases	\$ 118,201
Utility Increases	\$ 22,610
Maintenance – New Parks and Amenities	\$ 27,500
Postage, IT Software Maintenance, Insurance	\$ 29,030
Vehicle Expenses (Insurance, fuel, maintenance)	\$ 19,150
Sewer Flushing	\$ 30,000
Administration expenses	\$ 2,221,960 (offset above in Revenues)
Capital (not yet added in 2017)	\$(8,180,821)
Transfers to Reserve increase	\$ 5,924,630
Other changes	<u>\$ 25,416</u>
Total	\$ 617,050

Department	2016	2017	\$ Change	% Change
General Government Services	1,983,350	2,347,793	364,443	18.4%
Protective Services	3,129,380	3,715,281	585,901	18.7%
Transportation Services	3,053,059	3,599,021	545,962	17.9%
Environmental Services	1,203,350	1,417,701	214,351	17.8%
Community Services	1,205,595	1,293,558	87,963	7.3%
Parks and Recreation	2,379,095	2,895,728	516,633	21.7%
Water Operations	2,044,400	2,378,880	334,480	16.4%
Sewer Operations	1,218,373	1,393,113	174,740	14.3%
Debt Repayment	2,110,217	2,158,984	48,767	2.3%
Transfers to reserve	44,761	5,969,391	5,924,630	13236.1%
Capital	8,180,821		(8,180,821)	-100.0%
	26,552,401	27,169,451	617,050	2.3%



## 2017 Where Does the Money Go?



## District Savings Amounts - Reserve Schedule

To ensure the long term viability of the District, adequate reserves must be set aside to cover emergency situations, cover long term capital commitments and provide a source of funding when grant opportunities are presented and the District must be able to fund their portion.

The 2017 Financial Plan supports this direction and reflects transfers to appropriate reserves. New in 2017 is transfers to various capital reserves that fund the capital projects annually (shown in the table below as Budgeted Transfers to Reserves).

A number of Capital Projects are planned for 2017 and have been funded or are being paid for out of the District's reserve accounts (shown in the table below as Budgeted Transfers from Reserves).

As seen in the Table below, in most areas, the overall reserve balances are growing. This is important to ensure the availability of funds for future capital projects or the in the event of emergent situations.

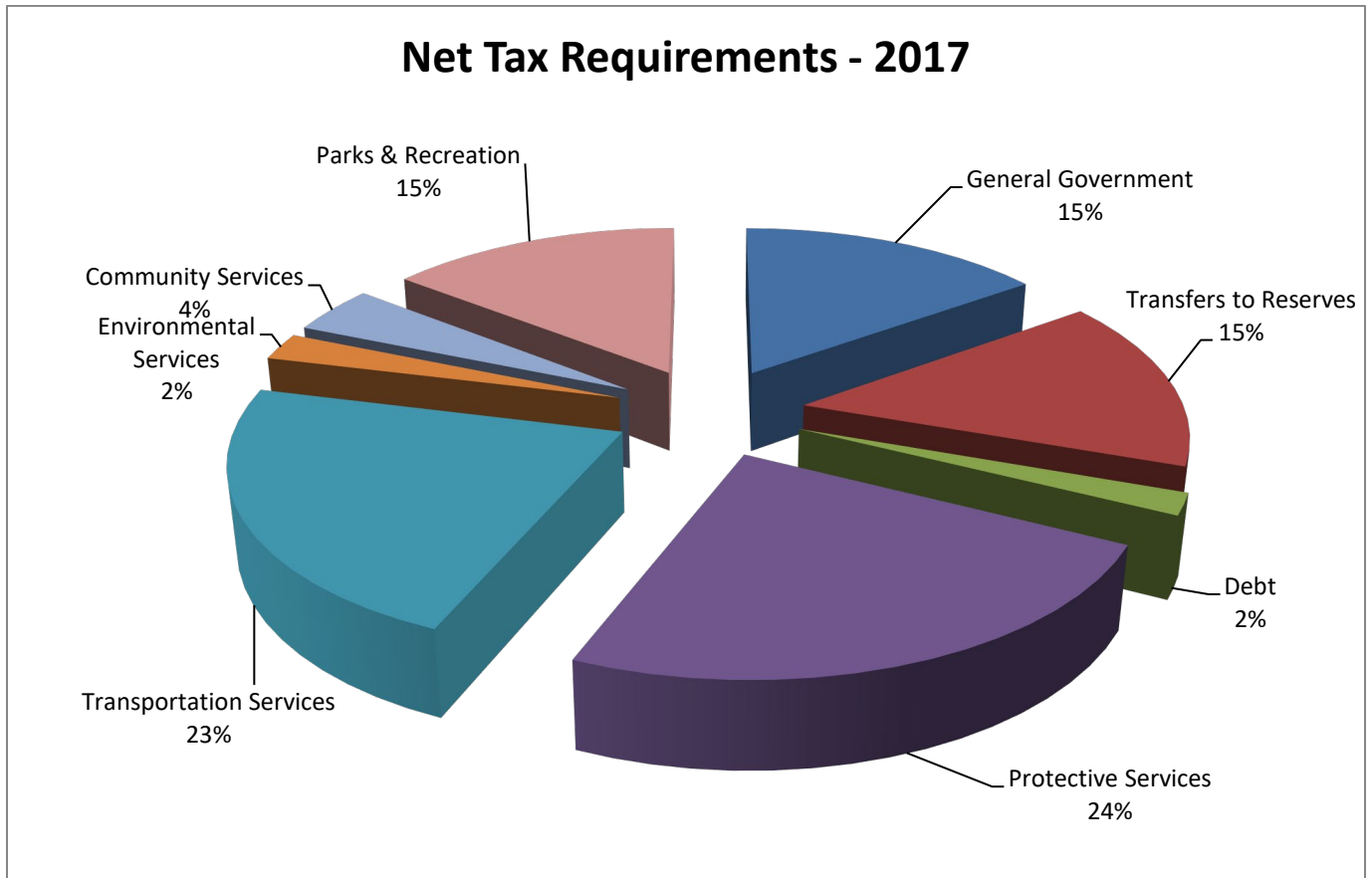
Reserve Type and Name	Expected	Budgeted	Budgeted	Expected
	Opening	Transfers to	Transfers from	Ending
	Balance	Reserve	Reserve	Balance
	1-Jan-17			31-Dec-17
<b>General Reserves</b>				
Capital Works Reserve	1,210,243	1,346,109	1,166,000	1,390,352
Climate Action Reserve	634,871	197,248	35,000	797,119
Vehicles & Equipment	683,845	192,650	62,000	814,495
Facility Reserve	130,974	61,664	120,000	72,638
Financial Stabilization	394,003	-	76,500	317,503
Fire Reserve	1,001,834	440,134	418,000	1,023,968
Gas Tax	959,405	546,398	350,000	1,155,803
General	1,254,312	-	-	1,254,312
IT Reserve	82,748	95,000	99,800	77,948
Solid Waste Reserve	307,140	128,401	20,000	415,541
RCMP Reserve	611,867	(48,246)	72,000	491,621
Road Reserve	306,262	744,284	796,000	254,546
<b>Total</b>	<b>7,577,504</b>	<b>3,703,643</b>	<b>3,215,300</b>	<b>8,065,847</b>
<b>Sewer Reserves</b>				
Sewer Capital Reserve	178,988	338,340	505,000	12,328
Sewer General	307,820	75,000	-	382,820
<b>Total</b>	<b>486,808</b>	<b>413,340</b>	<b>505,000</b>	<b>395,148</b>
<b>Water Reserves</b>				
Water Capital Reserve	553,663	1,550,713	-	2,104,376
Water General	1,064,977	212,852	475,000	802,829
<b>Total</b>	<b>1,618,640</b>	<b>1,763,565</b>	<b>475,000</b>	<b>2,907,205</b>
<b>Statutory Reserves - DCCs</b>				
Parkland DCC	1,416,278	170,000	-	1,586,278
Parks Dev DCC	68,773	40,000	-	108,773
Road DCC	1,980,331	500,000	1,004,000	1,476,331
Sewer Trunkmain DCC	(872,093)	70,000	-	(802,093)
Sewer WWTP DCC Reserve	369,541	300,000	-	669,541
Drainage DCC	455,407	10,000	-	465,407
Water DCC	501,434	300,000	2,166,666	(1,365,232)
<b>Total</b>	<b>3,919,671</b>	<b>1,390,000</b>	<b>3,170,666</b>	<b>2,139,005</b>
<b>Other Statutory Reserves</b>				
Land Sale Reserve	189,000	-	-	189,000
Parkland Acquisition Reserve	178,904	-	-	178,904
<b>Total</b>	<b>367,904</b>	<b>-</b>	<b>-</b>	<b>367,904</b>

## Net Tax Requirement by Department for 2017

(excludes Amortization)

This is a table showing how much of the tax collected is required to support each department.

Department	Net Tax Requirement
General Government	1,713,413
Transfers to Reserves	1,732,879
Debt	217,475
Protective Services	2,717,285
Transportation Services	2,556,440
Environmental Services	275,960
Community Services	487,562
Parks & Recreation	1,639,203
<b>Total</b>	<b>11,340,216</b>



## 2017 Full Time Equivalent Positions (FTE)

Department	2016 Full-Time Equivalents	Supplemental Requests	Notes	2017 Full-Time Equivalents
General Government Services	15	1	(a)	16
Protective Services	8.5	1	(b)	9.5
Transportation Services	5.5			5.5
Environmental Services	3			3
Community Services	10	1	(c)	11
Parks and Recreation	10.8	2	(d)	12.8
Water Operations	8.7			8.7
Sewer Operations	1			1
	62.5	5		67.5

- (a) Supplemental Request for Manager Strategic & Support Services
- (b) Supplemental Request for Maintenance Operator
- (c) Supplemental Request for Planning Technician
- (d) Supplemental Request for Parks Technician and Parks & Facilities Operator

## Salaries, Wages & Benefits

Department	2016 Salaries, Wages & Benefits	2017 Salaries Wages & Benefits	\$ Change	% Change
General Government Services	1,330,400	1,496,200	165,800	12.5%
Protective Services	725,036	800,200	75,164	10.4%
Transportation Services	503,700	548,400	44,700	8.9%
Environmental Services	295,800	296,500	700	0.2%
Community Services	865,800	898,000	32,200	3.7%
Parks and Recreation	910,180	937,490	27,310	3.0%
Water Operations	815,000	845,600	30,600	3.8%
Sewer Operations	89,300	92,200	2,900	3.2%
Total	5,535,216	5,914,590	379,374	6.9%

The increase in wages and salaries has several different components:

- 2% increase in overhead allocations – over the past couple years there have been increases in Canada Pension Plan (CPP), Medical Services Plan (MSP) and the Municipal Pension Plan (MPP) contribution and the overhead rate allocation was not increased in the prior year. As well, significant increases have been announced for CPP in the coming years and this increase will help smooth that transition.

- 1.5% increase in contractual salary obligations
- The full salary of all employees hired in 2016 has now been included in the budget, the 2016 budget would have reflected a reduced amount depending on when the position was filled in 2016
- Remaining increases related to reclassification of jobs due to changes in duties or other factors, contractual increases for exempt staff and other wage adjustments.

## **2017 Capital Projects**

The capital projects recommended by staff on the following pages represent the strategic priorities of Council, the development needs of the community, the priorities identified in the District's various master plans and the required maintenance and renewal of the District's assets.

All capital projects have been funded from various reserves or funds held from developers with the exception of two projects:

Retrofit Sewer Design

Eldorado Treated Water Reservoir

Both of these projects contain a funding source of "Unfunded" which represents the amount applied for under grant programs. For the purposes of this document, those projects are unfunded until grant money is awarded to the District.