



Agenda No: 6.1
Mtg. Date: JAN. 16/15

Regional Board Report

TO: Regional Board
FROM: Marilyn Rilkoff
Director of Finance & Administrative Services
DATE: January 16, 2015
SUBJECT: 2015 – 2019 Financial Plan Request Items for Discussion

Purpose: To update the Board that to date, senior staff has raised the following list of items for consideration in the 2015 - 2019 Financial Plan.

Executive Summary:

Financial: Impact to the 2015 – 2019 Financial Plan

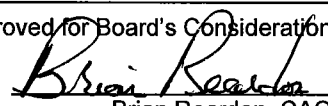
This is for discussion purposes only, for the Board's input prior to the detailed calculations. As discussed below, the RDCO does not calculate budget impacts at this time as some key information to perform the detailed calculations is not yet available.

RECOMMENDATION:

THAT the update on the 2015-2019 Financial Plan Request Items be received for information.

Respectfully Submitted:


M. Rilkoff
Director of Finance & Administrative Services

Approved for Board's Consideration

Brian Reardon, CAO

Background:

The RDCO staff identify known budget items, but does not calculate budget impacts 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 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.
- ❖ Changes in annual assessed values require detailed calculations. These are expected to cause some shifts between partner shares of costs to District of West Kelowna for regional services as BCAA has indicated that properties were assessed too low in 2014.
- ❖ 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. It is important to note that most capital items listed in this memo will be funded through reserves, grants, or occasionally financing. By having prepared for these expenditures in advance in the past, through these types of transfers, the tax rate impact is evened out over several years. In many cases, the capital expenditures listed below will not increase the tax rate.

The following information is provided to the Committee for background purposes in preparation for the February 25th budget meeting. The impacts of these items will be shown at that time.

General Impacts to consider:

Salaries: Collective Agreement has expired (January 1, 2011 to December 31, 2014 – Will be negotiating new contract in 2015.) Increases unknown at this time.

Utilities: estimate 3 – 5 % increase (\$40k)

Impacts of Service Reviews 2013 & 2014 still to be determined:

- ❖ Regional Rescue – technical, emergency program, and dispatch (in progress).
- ❖ Fringe Area Planning cost allocation to be determined before completion of budget.

Staffing: FTE Current Estimate for 2015 = 109.110

FTE's Budgeted for 2014	120.30
Less expected reduction	-11.19
Estimated FTE's for 2015	109.11

The majority of the decrease is in 031 – 911 Service. There are expected savings of \$697k overall relating to salary and contract costs.

Breakdown of reduction:

Finance (.75 FTE added in 2014 now full year)	.25
Bylaw Enforcement (.75 FTE in 2014 now full year)	.25
Administration (Fleet Supervisor .5 in 2014 now full year)	.50

Administration (Assistant at .85 in 2014 now full year	.15
Administration (Casual)	.04
Other	.67
Policing Services	-13.05

Significant Expenditure Items:

Administrative Overhead:

Note: The expected \$697k Reduction to the 031 – 911 Service budget will have significant effects on Administrative Overhead distribution.

- ❖ In simplified terms, think of administration overhead as the cost for a tank of gas (\$60) for a weekly carpool. (For simplicity, assume the participants live in the same neighborhood and work at the same place, and the tank of gas is used only for this purpose.)
- ❖ The “tank of gas” is prorated among the participants (aka: total budget dollars and/or services over which to spread the “cost of the tank”).
- ❖ If there are fewer participants, each participant (service) has to pay more for their share of the “tank of gas”.
- ❖ Week 1: 6 participants – cost is \$10.
- ❖ Week 2: 3 participants drop out. Same amount of gas is consumed, same cost for the tank, same distance travelled. Remaining participants now pay \$20 each.)

Based on 2014 information, other services will see an increase in overhead due to redistribution of approximately \$140k of overhead formerly attributable to the 911 service. It is estimated that the services most affected due to the size of their budgets would be: Regional Parks \$30k, Wastewater Treatment Plant \$22k, Dog Control \$9k, Regional Rescue \$9k, Recycling \$7k, EDC \$7k. All other services would see a smaller proportional increase as well.

Administrative Overhead Budget Information:

- ❖ 006 -- Information Systems (capital items outside of ordinary workstation and software cycle replacement) – funded by transfers to capital and reserves:
 - ❖ 2015: Software License Refresh \$41k, Computer Equipment \$19k
 - ❖ 2016: Network Refresh \$32k, Equipment \$18k, Software \$17.5k
 - ❖ 2017: Servers & Network Refresh \$109k, Equipment \$18k, Software \$17.5k.
 - ❖ 2018: Storage Area Network (SAN) \$95k, Equipment \$18k, Software \$17.5k
 - ❖ 2019: Equipment \$18k, Software \$40k
- ❖ 002 – Administration:
 - ❖ Add .5 FTE for full-time Asset / Fleet Manager approved in 2014 (hired part way through year), .15 for Admin. Assistant increase to full time, .04 Supervision. Estimated - \$75k.
 - ❖ Capital: \$13k reupholster Board Room Chairs, \$8k Signage, \$7k Shop Door, \$7k improvements, \$3.5k HVAC, Website Update \$50k.

- ❖ 003 -- Finance:
 - ❖ Add .25 FTE for senior level accounting position \$19.5k approved last year. (Position was budgeted for ¼ of year in 2014).
 - ❖ Capital (paid from reserves – no tax impact):
 - \$20k Vadim Software E-3 Upgrade
 - \$2k Scanners
- ❖ 004 – Engineering:
 - ❖ Capital (paid from reserves – no tax impact): \$5k Equipment.

Parks:

121 – Ellison Heritage School Community Center:

- ❖ Building Renovations \$25k, Building Programming & Future Use \$5k, Phase 1 Infrastructure Assessment & Lifecycle Plan \$5k.

123 – Joe Rich Community Center:

- ❖ Potable Water system Upgrade \$4.5k, Phase 1 Infrastructure & Lifecycle Plan \$2k.

142 -- Regional Parks:

General Revenue Fund Budget (Revenue / Expenses)

- ❖ Anticipated grant funding \$373k, and related project costs \$373k for Wildfire Prevention and Forest Fuel Reduction.
- ❖ Capital Development Projects: The total for Capital Development Projects is estimated to be approximately \$1,266,424 broken down in Exhibit A (\$444,097 in carryovers from 2014 and \$873,077 in new projects). Funding is from Donations, Grants, Gas Tax Funds, Reserves, and Transfers from General Revenue. This is \$1.7m less than last year.
- ❖ Capital Equipment Projects: \$15k carried over from 2014, and \$107k in new projects (detailed in Exhibit A).

143 -- Westside Parks

- ❖ Utilize Gas Tax funds for Fintry Community Parks infrastructure installations \$30k & Westshore Estates Community Park Electricity Service.

144 -- Eastside Parks

General Revenue Fund Budget (Revenue / Expenses)

- ❖ Utilize Gas Tax funds for Goudie Fire Hall Playground \$75k, Joe Rich Community Park Play Ground Replacement \$50k, and Tank Toilet Replacement \$15k

Policing Services:

031 – 911 Emergency Number

General Revenue Fund Budget (Revenue / Expenses)

- ❖ Anticipated operating budget reduction of \$697k.
- ❖ Contract/Lease Capital Improvements \$288k

Service Reviews: 040 – Crimestoppers, 041 – Victims Services, 042 Crime Prevention & Alarm Control.

Community Services:

Environmental Services:

❖ **Water Systems:**

- A complete user Rate Review will be done (\$10 – \$15k).

○ **Capital:**

- **301 – Killiney Beach:** Capital \$175k: System Reconfiguration/Improvements \$106k, Road Repair \$5k, Udell \$5k, Reservoir Interconnect \$37k, Meter Program \$22k.
- **303 – Falcon Ridge:** Capital \$23k: Road Improvement \$17k, Meter Program \$5k.
- **305 – Sunset Ranch:** Capital: Meter Program \$15k
- **306 – Trepanier Bench:** Capital: Improvements & Equipment \$4k
- **307 – Westshore:** Capital: \$200k for distribution system improvement.

❖ **401 – Westside Sewer System - Treatment Plant:**

Operating: Estimated reduction in costs relating to Biosolids: \$429k.

Capital \$950k – Discussion will be needed with partners as there are not sufficient funds in reserves. Would require transfer from General Fund:

- Landscaping \$80k
- Security System \$37k
- Outfall \$250k (DCC's)
- Bioreactor \$52k
- HVAC \$126k
- Equipment & Facility Improvements \$185k
- Lab Analyzer \$105k
- Engineering & Master Plan \$105k
- Odor Control \$10k

❖ **470 – Westside Sewer System – RDCO Lift Stations / Collector System:**

- Capital \$35k: Manhole \$10k, Pump Rebuild \$25k

❖ **093 – Westside Landfill:** Closure costs \$190k from closure reserve.

❖ **094 – Solid Waste Management:** Regional Solid Waste Management Plan \$35k.

Regional Planning & Electoral Area Planning:

- ❖ 111 -- Electoral Area Planning:
 - Fringe Area Planning formula still needs to be determined.
 - Capital: Vehicle purchase (use reserves).

Fire Services:

Cost of Fire Service Review \$50k to be shared among 4 Electoral Area Fire Departments.

- ❖ 030 -- Regional Rescue:
 - Central Okanagan Search & Rescue additional \$24.5k for truck & 2k for operating expenses.
 - Capital: Boat Lift \$16k, Equipment \$26k, Boat Slip \$18k.

Inspections:

- ❖ 044 -- Building Inspection & General Bylaw Enforcement: Expect to increase service levels and augment bylaw enforcement, which have been reduced since 2012 budget. Number of applications has increased. Partial tax requisition may still be required. 044 & 019 – EA Fire Prevention to share FTE increase of 0.5 to increase from part time to full time and include relief staff.
- ❖ 046 -- Dog Control:
 - Contract costs to decrease slightly, and revenues are higher than expected.
 - Surplus expected. Will be making recommendation with regard to transfer to operating and capital reserves.
 - Capital:
 - 2015: Replacement of the swamp cooler \$25k.

Board:

- ❖ 001 – Board: Capital: \$8.5k Electronic Board Meeting Software.

Board Items?

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

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 25th.

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 2014 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):

\$100,000 increase: .0029 / \$1000 of assessment or \$1.39 on a \$480,000 home.

\$500,000 increase: .0143 / \$1000 of assessment or \$6.86 on a \$480,000 home.

\$1,000,000 increase: .0285 /\$1000 of assessment or \$13.68 on \$480,000 home.

Regional Hospital District:

- ❖ IHA regular capital budget requests total \$2.5m.
- ❖ In Camera request received.

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 25.

142 – Regional Parks Projects Details

EXHIBIT A

Capital Project Carryovers from 2014 (\$444,097):

Estimated

New Capital Projects for 2015 (\$873,077):

Estimated

Capital Equipment Purchases using Reserve funds:

Capital Equipment Project Carryovers from 2014 (\$15,630):

Estimated

New Capital Equipment for 2015 (\$107,000):

Estimated