

CITY OF KAMLOOPS

Financial Plan

2023–2027



City of Kamloops  British Columbia, Canada

Canada's Tournament Capital



Canada's Tournament Capital

CITY OF KAMLOOPS, BRITISH COLUMBIA, CANADA

Provisional Financial Plan 2023–2027

Prepared by: City of Kamloops
Communications and Community Engagement Division
and Corporate Services Department

📷 Front Cover: Jared Putnam

📷 Inside Cover: Steven Gillingham



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The City of Kamloops acknowledges that we are located on Tk'emlúps te Secwépemc territory, situated within the unceded ancestral lands of the Secwépemc Nation. We honour and respect the people, the territory, and the land that houses our community.



Tom Allister

Five Year Financial Plan

Overview

The Five-Year Financial Plan offers residents a detailed presentation of the comprehensive budget and planning process that guides the City of Kamloops in the responsible management and operation of its many programs and services. This financial plan is prepared by the City's Corporate Services Department in consultation with all municipal departments and senior administration and outlines estimated costs for 2023–2027. The plan is divided into several sections that focus on the different categories within our overall plan.

The general operating budgets, which is organized by department, focuses on the ongoing operation of the primary City services, such as fire, policing, parks, recreation, roads, and other infrastructure maintenance.

The utility budgets for water, sewer, and waste removal.

The capital budgets, which include the planned costs for improvements and replacement of City assets, and infrastructure, and equipment.

In this plan, you will find highlights of how taxes and other revenue are used across the municipal functions and services to support day-to-day operating costs and the ongoing maintenance and planning of our community infrastructure and facilities. An in-depth analysis of costs is presented in Section B, Program Detail, beginning with estimated costs associated with the general operating budget. In the Financial Plan, the figures are the best estimates using information known at this time.

The Program Detail section also includes a program summary, highlights on how it has impacted the overall General Fund, and any changes in service levels for the current fiscal year. A detailed breakdown of utility costs for the Water, Sewer Utility and Waste Removal Funds follows.



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Kamloops at a Glance

The City of Kamloops employs a diverse team of dedicated employees who work collectively to advance our mission of Making Kamloops Shine. Strong financial management allows us to provide core services to Kamloops citizens, to ensure sustainable community growth, to introduce new amenities, to improve our community's livability, and to maintain valuable infrastructure. In basic numbers, this is our City...

A Growing Community

The Kamloops metropolitan area tied for third place as one of the fastest-growing large urban centres in Canada between 2016 and 2021.





Pauline McKone

A Complex Network of Civic Infrastructure

The pulse of the City of Kamloops beats to the steady operation of several complex systems planned, built, and maintained by skilled teams of municipal employees.





A Place to Play

Kamloops is Canada's Tournament Capital and is known for hosting sporting events of all kinds with first-class recreational facilities, courts, and fields. Elite athletes and casual recreation enthusiasts alike enjoy these amenities along with the parks and trails we proudly maintain.

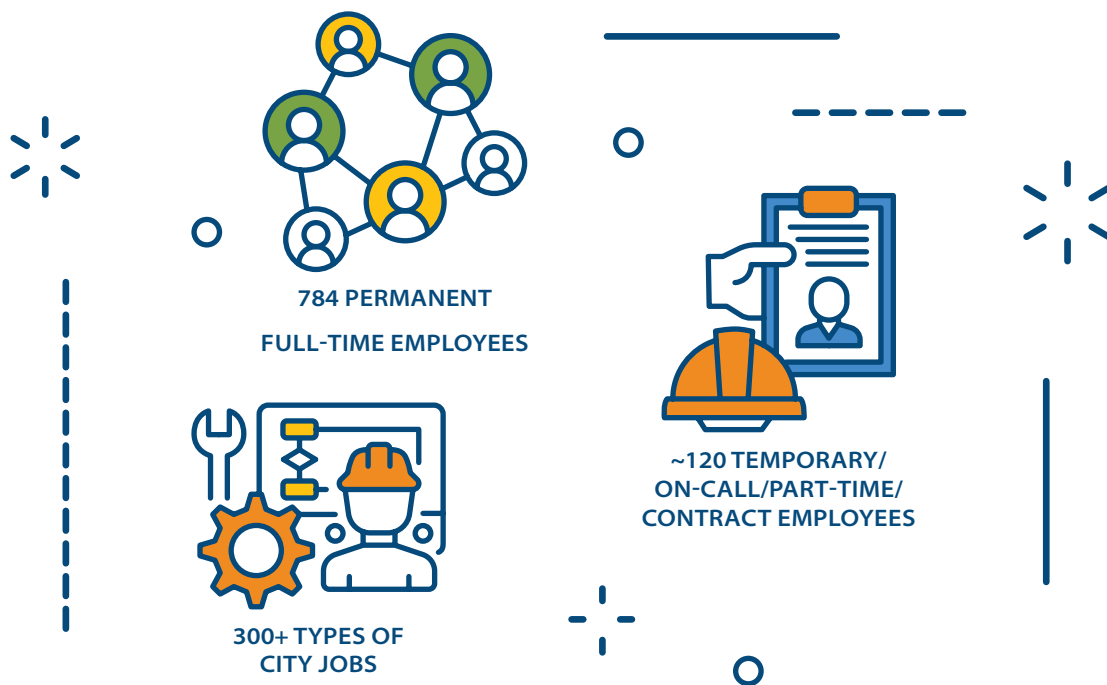




Adam Donnelly

A Choice Employer

The City of Kamloops believes in progressive and barrier-free recruitment with opportunities for all in a safe, inclusive, and diverse workplace that provides meaningful careers that help to shape the fabric of the community where we live.



Financial Planning Process at a Glance



PUBLIC

Attend the public budget engagement session.
Learn about the budget.
Share feedback and ideas for future business cases.
Establish connections with appropriate City staff to action ideas.

FINANCIAL SERVICES DIVISION

Draft utility rates and assemble provisional budget.

CORPORATE SENIOR LEADERSHIP

Review budgets and business cases.

CITY DEPARTMENTS

Develop budgets and proposed business cases.



CITY COUNCIL

Review, amend and/or approve the Utility Rate Bylaw and provisional budget. Review supplemental business cases.

CITY COUNCIL

Review proposed utility rates and provisional budget.

CITY DEPARTMENTS

Finalize business cases.

CITY COMMUNICATIONS

Release information about the upcoming budget, organize public engagement, and help present public feedback.

CORPORATE SENIOR LEADERSHIP

Review budgets and business cases.

PUBLIC

Attend the public budget engagement session. Learn about the supplemental budget items. Share feedback and ideas for future business cases. Establish connections with appropriate City staff to action ideas.

FINANCIAL SERVICES DIVISION

Determine final tax draw and rates. Finalize budget and determine the tax draw and rates.

CITY COUNCIL

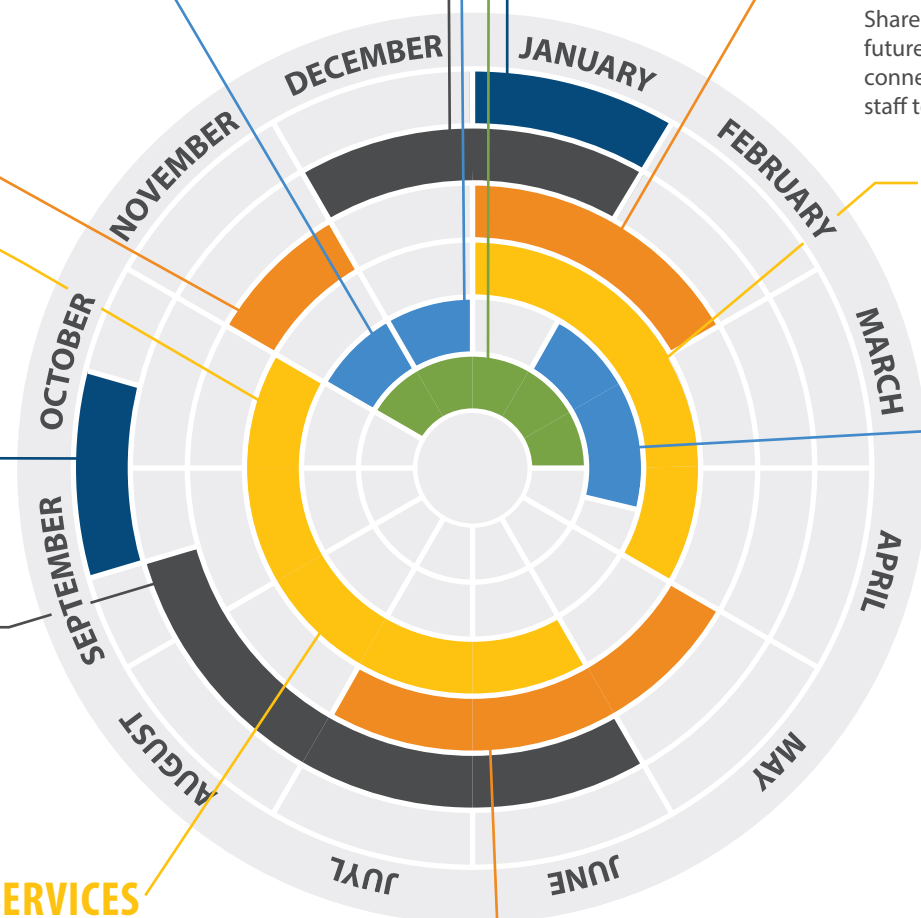
Vote on supplemental business cases and approve finalized Tax draw.

FINANCIAL SERVICES DIVISION

Assess common cost drivers such as the rates for materials or contract services and any impacts that might affect the utility rates.

PUBLIC

Work with City Staff on new ideas and project proposals.



Message from the Corporate Services Director

The City of Kamloops has completed the final 2023–2027 Financial Plan, with several economic impacts lingering after the COVID-19 pandemic.

Post-pandemic inflation continued to increase as supply and demand issues impacted many of the City operations. In early 2022, the Province reduced or eliminated many of the restrictions that had been in place limiting the hosting of events where the public gathered in large numbers. This change has provided a positive impact as some of the City's operations showed signs of returning to pre-pandemic levels. This change required the organization to adjust revenues forecasts for 2023 and beyond as these activities appear to be retuning to normal levels sooner than originally expected.

While these changes are creating a positive impact, we are also seeing the economy being challenged with levels of inflation that have not been seen in over 20 years. This condition is being driven by dramatic world events, which have resulted in significant supply chain issues and material shortages. All these conditions are creating an unpredictable increase in costs and limit the availability of many of the goods required to support the delivery of City services.

The Annual Planning Process

The City's budget planning process begins in June with department managers reviewing their existing budgets to identify any impacts or changes and determine their needs to maintain the current service levels. Finance staff monitor the economic environment and predictors for information that will directly impact the budget. Items identified for the 2023 budget included the following:

- inflation outpacing projections as demand for goods and services continues to increase

- considerable vacancies in the employment market as the demand for skilled increases
- increases to property and liability insurance premiums due to global disasters and the impacts of climate change
- increasing costs of materials and services to maintain specialty infrastructure
- requirements contained within existing and new contracts and collective agreements
- impacts from international trade agreements, tariffs, and duties

All these items are taken into consideration when developing the annual budget. Other factors taken into consideration, which are difficult to quantify, include the impacts of a changing environment and weather patterns. Climate-related events have and will continue to have an impact on the City's operations.

As we continue to provide a higher level of community engagement, presentations were made to Junior Council, a group of high school students who represent many of Kamloops' secondary schools. The initial presentation reviewed the provisional budget, and the second presentation introduced the supplemental budget items. Junior Council deliberated on the supplemental budget items, voted either in support or against the presented items, and provided the perspective of a younger demographic.

The budget engagement process includes public consultation activities intended to provide Kamloops citizens and business groups with the opportunity to provide input, ask questions, and/or comment on the 2023–2027 Financial Plan prior to its completion. A public budget session is normally hosted in the fall to introduce the provisional budget. In 2022, that event was not scheduled due



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to the recently completed municipal election, which resulted in a considerable change in Council members. The process for the 2023–2027 Financial Plan included the following:

- Between October 2022 and March 2023, Let's Talk Kamloops—the City's interactive online engagement tool (LetsTalk.Kamloops.ca/Budget)—actively provided supporting information related to the budget, and City staff were available to answer questions related to the overall budget, cost items, and the process used to create this financial document.
- After being introduced to Council, the supplemental budget items were available to the public to provide them with an opportunity to comment on and indicate their support for each of the items.
- In February 2023, the City hosted an in-person public budget meeting, which focused on the proposed supplemental budget items for consideration in the 2023–2027 Financial Plan.

This financial plan also includes a capital plan that supports previous Council decisions for the introduction of new and maintaining existing infrastructure.

Provisional Budget

Development of the provisional budget presented an initial need to increase taxation funding by \$7,054,000 (5.60%).

In August 2021, the Treasury Board of Canada and the National Police Federation (the union for RCMP members) announced the ratification of a five-year contract (2017–2022) that saw members receive a 23.7% increase over the period. This impact alone amounted to a \$1.3 million increase in required taxation funding. Council had previously authorized the increase of three additional police officers for the City, increasing the levels of community safety and protection. Other aspects that were identified as having cost increases were related to items where inflation had been considerably higher than the Consumer Price Index, including fleet operations, which increased due to the price of fuels; paints, which increased due to the higher costs of metals for containers and resins for the plastics components; technology costs, and liability and property insurance premiums.

While actions taken by the Bank of Canada to slow the economy by increasing the prime lending rates provided an additional challenge to residents, it actually provided a benefit to the City by increasing the level of anticipated interest revenues on civic investments.

The City's remaining BC Safe Restart funding was exhausted this past year and was used to help support other forms of City revenues where social gathering restrictions were required. With the elimination of these restrictions, many activities are starting to or have returned to

pre-pandemic levels. The capital budget in the 2023–2027 Financial Plan provides for the investment \$51 million in existing and new assets within the city. Some of these projects include investing in Kamloops' infrastructure with the completion of the Riverside Park upgrades and its new water park, Lorne Street sanitary replacement, Fortune Drive repaving, and the Tranquille Gateway Streets infrastructure upgrades coupled with Aviation Park and over \$10 million in active transportation initiatives.

Final Budget and Supplemental Items

During the period between when the provisional budget was approved and the supplemental budget items were presented, several conditions changed in the City's operating environment. Administration continued to review various impacts on the organization and made some adjustment to the budget. With the recently completed 2022 financial year available to analyze the trends, the projected 2023 amounts of recreation and investment revenues were revisited, and the projects were adjusted reflective of updated 2022 information. These items resulted in a change to the provisional budget funding requirements by reducing the taxation need by \$805,000, resulting in a 4.96% taxation funding increase before the potential inclusion of supplemental budget items.

Council considered 12 supplemental items for inclusion in the 2023–2027 Financial Plan (see Appendix B, 2022–2026 Supplemental Items). Council amended one of the 10 items and approved all of the requests presented. Four of the 10 supplemental items resulted in an increase to taxation-based funding, including adding additional Community Services Officers, additional Firefighters, additional fleet equipment and a Mechanic, and funding to address green infrastructure. Two of the proposals were to address and improve access on and off neighbouring highways to allow for an improved flow of traffic.

The remaining items generated from requests from the community resulted in the City funding for active transportation needs, North Shore improvements, Venture Kamloops, and a marque “KAMLOOPS” sign to attract visitors.

The supplemental budget items that Council reviewed and approved resulted in an additional 1.85% increase to taxation, with many items approved but funded from reserves or other sources. Many of the approved supplemental budget items directly reflect Strategic Priorities in the 2019–2022 Council Strategic Plan. Based on the results of Council’s deliberations and approvals, the overall taxation funding required by the City increased by 6.81% to provide an overall funding requirement of \$134.7 million for 2023.

Civic Utilities

In addition to reviewing the City’s general budget, Council must also set utility rates based on their individual budgets. Sewer rates were set at 2.5% over the 2022 rates, resulting in an annual rate of \$457 for the average residential home. This rate increase will allow the utility to continue to operate at the current service levels and provides funds to be set aside to maintain the related infrastructure. Planned capital improvements in the system over the next five years include the Tranquille Phase III project, upgrades to Lorne Street infrastructure, and ongoing maintenance and improvements to the Kamloops Sewage Treatment Centre.

The City’s water rates increased by 1% for 2023, resulting in an annual rate of \$383 for the average residential home. Planned asset management work for the water utility over the next five years includes replacing the water treatment membranes in phases, replacing water mains on Westsyde Road and Highland Drive, installing backup power sources at key utility stations, and various reservoir and booster station projects.

As the city continues to grow, all the major infrastructure systems continue to expand. Over the next five years, the water and sanitary systems will be expanded to incorporate the Southwest Industrial Sector; several City reservoirs will expand to deliver increased capacity; and as some infrastructure is replaced, it will also be expanded to address current and future growth needs.

Solid waste and recycling fees increased to maintain adequate revenues to support the operational costs for the residential collection program. The rates for annual collection for the 180 L, 245 L, and 360 L carts increased by \$8, \$10, and \$22, respectively. The annual collection rate for the 120 L cart remained unchanged. Much of the investment in the City’s landfills is required to maintain the compliance requirements for operating these highly regulated waste receiving facilities. The City is in the final phase of the Curbside Residential Organic Waste Collection Pilot Program with full community rollout scheduled for mid to late 2023. This new program has received very positive feedback from participants in the pilot program over the past year.

This document, which is prepared as required in accordance with Sections 165 and 166 of the Community Charter, is to present a financial plan to Council for its consideration and deliberation and have a Council-approved Financial Plan Bylaw by May 15, 2023. This document is being presented in a format similar to prior years but with small changes that are intended to improve the plan’s readability and provide a greater degree of transparency and understanding of this technical document.

The City’s Finance team is always happy to respond to any questions that Council or our citizens have about this document. A full discussion of the budget process can be found at LetsTalk.Kamloops.ca/Budget.

David Hallinan, FCPA, FCMA
Corporate Services Director



Kiki Dwerry

Corporate Policies and Explanations

Financial Plan Process and Timing

The 2023–2027 Five-Year Financial Plan process began in June 2022 just as staff wrapped up the prior year budget. The first steps in the budget plan is to establish economic assumptions and guidelines to facilitate review of the current budgets for each program area. Each manager is asked to prepare a capital plan and a financial operating plan for their program area which, is reviewed by the department directors and the financial planning team prior to consolidation. The Chief Administrative Officer and the Senior Management Team met in October 2022 to review the plans to provide their input on the draft plan being presented to Council in November. The budget and rates for the three utility funds—water, sewer, and solid waste—were finalized earlier in the year, with final 2023 rates set in September 2022. Due to the recent municipal elections and the Council's changeover, the public input session normally held in the fall was postponed, and the public was engaged in early February.

Throughout the process each department director reviews their program operating and capital budgets followed by a consolidated review by the Senior Leadership Team. After the initial presentation to at the Committee of the Whole, Administration continued to update and the adjust the budget to reflect more current economic conditions as well as new direction from Council.

In early 2023, Council was presented with updates to the 2023 provisional budget and any supplemental items to be considered for the 2023-2027 Five-Year Financial Plan. Supplemental items are new service levels or ideas presented by Council, staff, or the public. They are considered after the provisional budget has been established and are part of the second phase of the budget process.

Once Council approved the tax requirements though their deliberation of what is included or what is not included the overall budget, the City set the tax rate for property owners. In early April, the City received the authenticated property tax roll from the BC Assessment Authority, which provides the final assessed property values for our municipality. This information allowed the Corporate Services Department to calculate the tax rates for the year.

In late April, Council adopted the 2023-2027 Five-Year Financial Plan and the Tax Rates Bylaws at an open Council meeting.

Budget Basis

The operating budget is prepared on a cost-to-maintain-existing-services basis. This means it focuses on the changes that are required from the previous year's budget to provide the same service levels as the previous year. These changes may include non-controllable cost increases; adjust for cost savings and efficiencies; reflect salary and employment benefit increases; and the removal or addition of one-time, non-recurring revenues and expenditures from the previous year. New or expanded programs are considered as part of the supplemental process and included after separate deliberation by Council. Overall, expenditures are evaluated over a three-year rolling average where base levels are increased or decreased as needed. Economic considerations and operational efficiencies are reflected in the budget with selective zero-based budgeting included within the process.



Municipal Funds

Operating and Capital Funds

The City budget is divided into several distinct sections. The general operation and capital funds and the three utility funds—water, sewer and solid waste funds. In broad terms, the General Fund represents the cost of providing all municipal services other than the utilities. Costs that are in excess of user fees and other non-tax revenue, such as grants, are funded by property taxes. The *Community Charter* requires that all revenue sources be identified to cover all anticipated expenditures. The *Community Charter* does not allow the City to incur an accumulated deficit so all expenditures must be funded. The three utility funds are self-sufficient utilities, which means that their individual revenues cover all of their expenses and capital costs. The revenue raised by each fund through user fees or other sources can only be used to fund the expenses in each respective fund. Revenue cannot be transferred between funds.

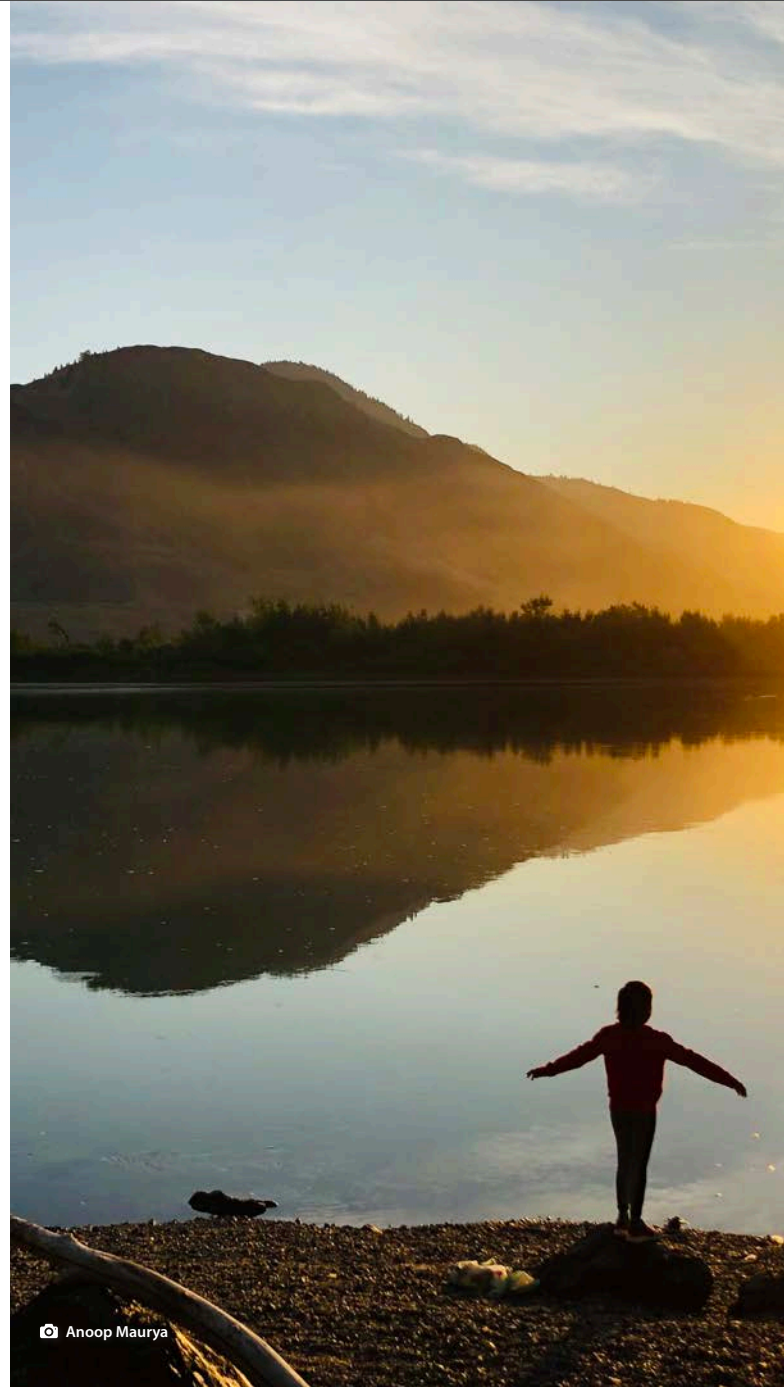
Statutory Reserve Funds

The *Community Charter* controls the creation and use of statutory reserves. Statutory reserves are created through a bylaw and require approval from two-thirds of Council is required to expend funds from these reserves. There are restrictions as to the type of expenditures that can be funded from each statutory reserve. The City has the following six statutory reserves:

- Tax Sale Property Reserve Fund
- Parking Facility Reserve Fund
- Debt Retirement Reserve Fund
- Local Improvement Reserve Fund
- Land Sale Reserve Fund
- Equipment Replacement Reserve Fund

Statutory in Trust Fund

The Cemetery Perpetual Care Fund represents funds held in trust by the City for the permanent care of grave sites and columbariums in the municipal cemeteries.



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Property Taxes



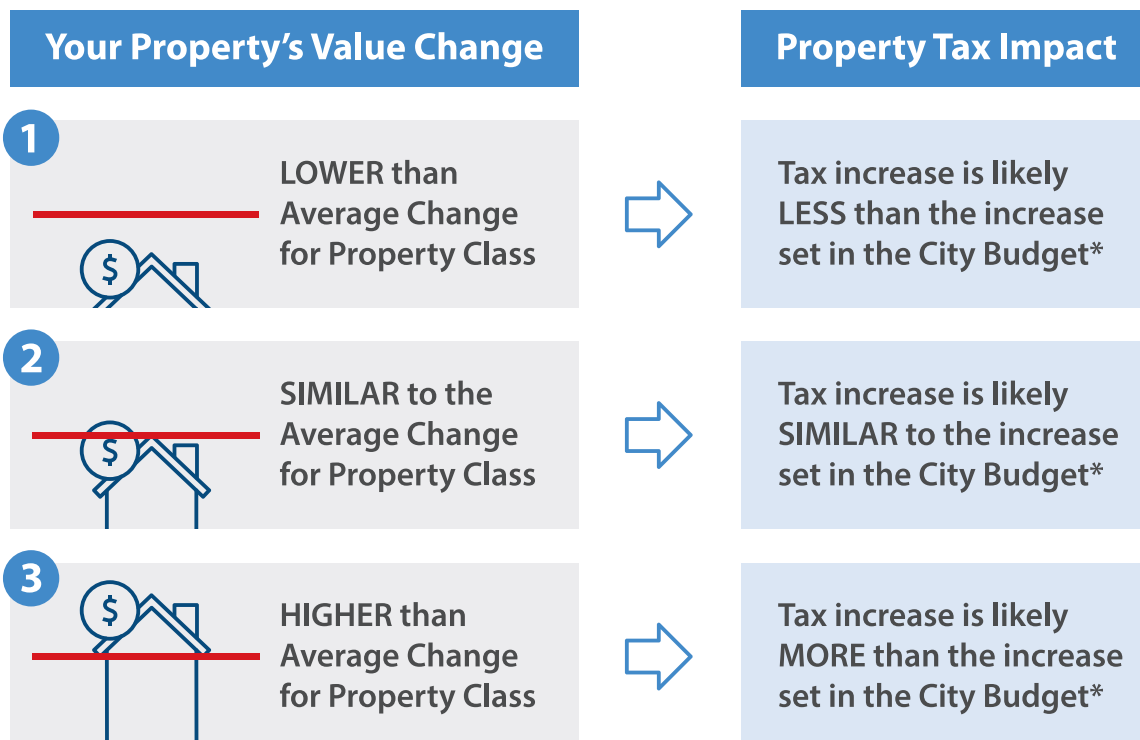
Service Levels

The majority of the City's revenue is obtained through property taxes. When preparing the budget, the non-tax revenues are identified and allocated against costs to determine the balance required from property taxation. Non-tax revenues can include fees and charges for services, federal and provincial government grants, and investment income, etc. The amount of property tax revenue the City must collect to provide the services to the levels prescribed by Council is then used to calculate the tax rates. When considering whether the tax rate is appropriate, Council needs to consider that to adjust the tax rate, the associated service levels must be adjusted to reduce the tax requirement. A lower service level can reduce the budgeted expenditures and consequently lower the property tax revenue requirement. Council's challenge is to balance the appropriate service level with the cost of providing that service. When the cost of providing a service increases (e.g. through inflation and other cost-of-living increases), the additional revenue must be allocated from property taxation or another source.

The Tax Rate

The City determines the tax rate (a charge per thousand dollars of property value) by dividing the sum of all of the property values in the city by the amount of property tax revenue that must be collected. The tax rate is simply a means of determining how much each individual property owner must pay. The rationale for this approach is that owners of higher-valued properties should pay more than owners of lower-valued properties. The tax rate is calculated each year based on the revenue that must be collected and the assessed values of all the properties in the city at that time. Changes in the total assessed values in the city will cause the tax rate to change, but will have no direct effect on the amount each property owner must pay unless their assessed value change is different than the average.

How property assessments affect property taxes



Understanding Your Tax Bill

The City of Kamloops collects residential taxes by the beginning of July each year. Contained with your annual bill for city property taxes and your application for a homeowners grant is the collection of taxes specific to other government agencies.

The Property Taxation system in BC is legislated by the provincial government under the Community Charter, Part 7. There are six primary classification of properties that have different levels of taxation applied to, they are:

- Residential
- Major Industry
- Light Industry
- Recreation/Non-Profit
- Farm, and
- Business and Other

For each of these Taxation Classes there is a single rate that is applied to properties classified within each class. Municipal Governments are not allowed to develop sub-classifications within any of the taxation groups.

Each of these groups are subject to City Property Taxes as well as taxes collected for other agencies. As more than 60% of the taxation

revenue for the City is derived from the Residential Class, examples will focus on this classification.

The 2023 the total tax rate per household is \$5.72 per \$1,000 in assessed value. This amount was made up of the following:

| | |
|--|----------|
| BC Assessment Authority (BCAA) | \$0.0336 |
| Thompson-Nicola Regional District (TNRD) | \$0.2237 |
| Hospital | \$0.2992 |
| School | \$1.4258 |
| City taxes | \$3.7400 |

Of the total amount of taxes, \$1.9823 of the monies collected by the reporting position, amounts do not appear in the City's financial statements and are not included in the reported City's Revenues.

It's important to note that the City has no input or control over these taxes, we simply collect these funds and pass them along. To provide additional context, for every \$1.00 on your total pre-Homeowners Grant Tax Bill, 35 cents is collected by the City for other government agencies and is not spent on services provided by the city to the residents.



© Mary Putnam

City Debt



The City uses debt to fund capital initiatives. From a personal perspective, debt mirrors a mortgage, whereas a civic debt purchase provides a long-term value to the community and the residents. The City takes an approach that the decision to take on debt to fund projects should be seen as a preferred alternative over short-term significant increases in taxation (or levies).

During the course of civic development and the business planning process, there are capital initiatives and programs that will exceed the City's immediate ability to fund for the project.

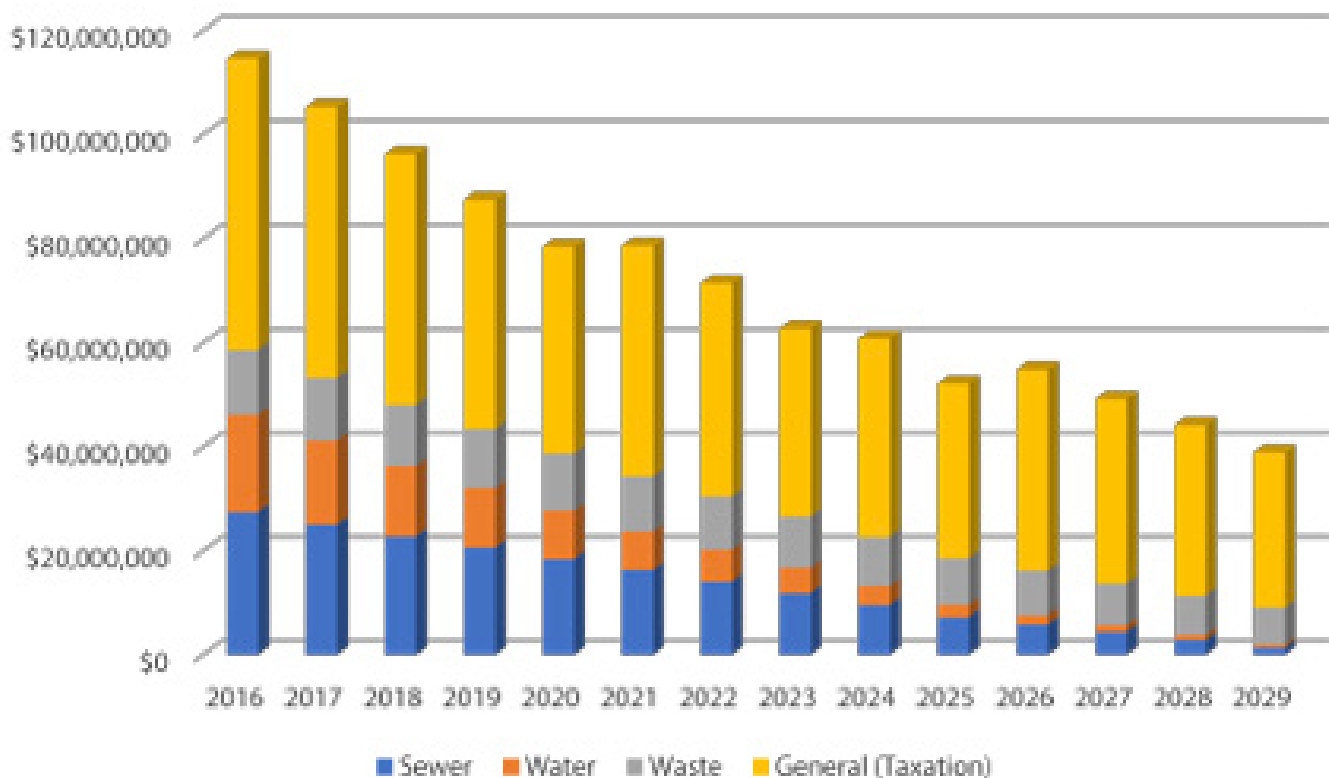
Sections 174 and 177–182 of the *Community Charter* provide direction and guidelines to municipalities on when and for what debt can be used for. Key in the legislation is that debt funding cannot be used to fund any operational work.

Recent examples of expenditures that the City has taken on debt to fund include the following:

- **2023** RCMP Battle Street Expansion
- **2020** Victoria Street West Improvements
- **2015** Kamloops Resource Recovery Centre (Owl Road Landfill)
- **2015** Overlanders Bridge Rehabilitation Project
- **2014** Kamloops Sewage Treatment Centre
- **2006** Tournament Capital Project

Each of these debt-funded projects provides a long-term and lasting benefit to the City.

Total City Debt



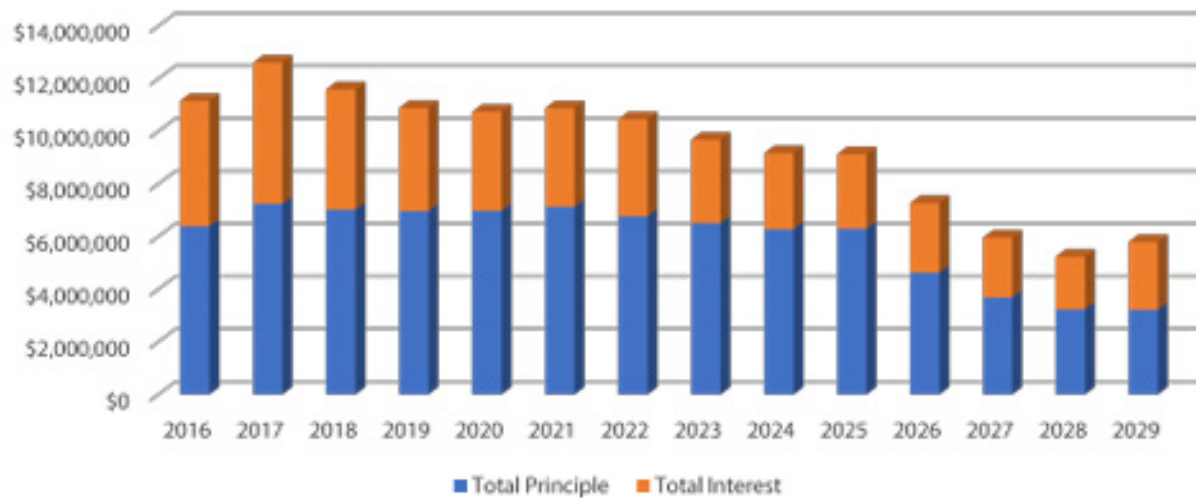


John Hall

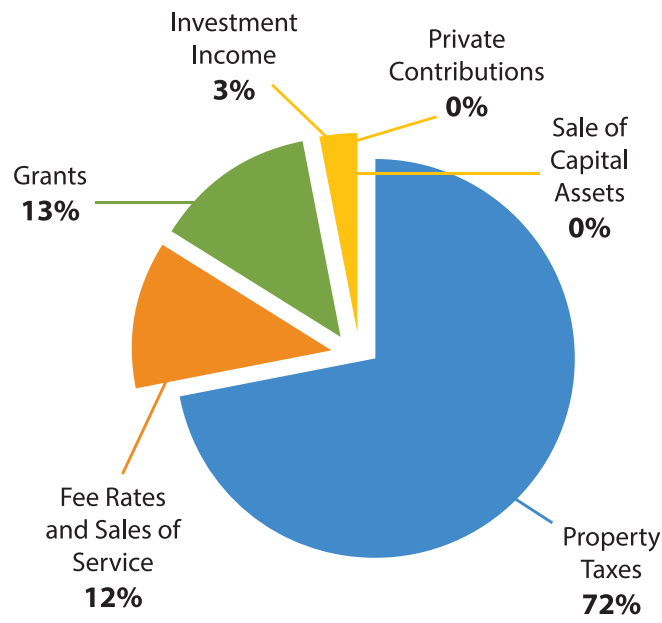
| PROJECTED END-OF-YEAR DEBT BALANCES BY REVENUE | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Sewer | \$14,006,161 | \$11,816,686 | \$9,524,765 | \$7,182,644 | \$5,790,501 |
| Water | 6,120,039 | 4,928,744 | 3,701,466 | 2,437,077 | 1,817,587 |
| Solid Waste | 10,218,750 | 9,812,405 | 9,393,869 | 8,962,778 | 8,518,753 |
| General(Taxation) | 41,077,734 | 36,189,338 | 38,202,199 | 33,548,731 | 38,722,780 |
| Total | \$78,243,374 | \$69,403,580 | \$60,786,580 | \$52,346,499 | \$43,646,657 |

Total Debt Servicing

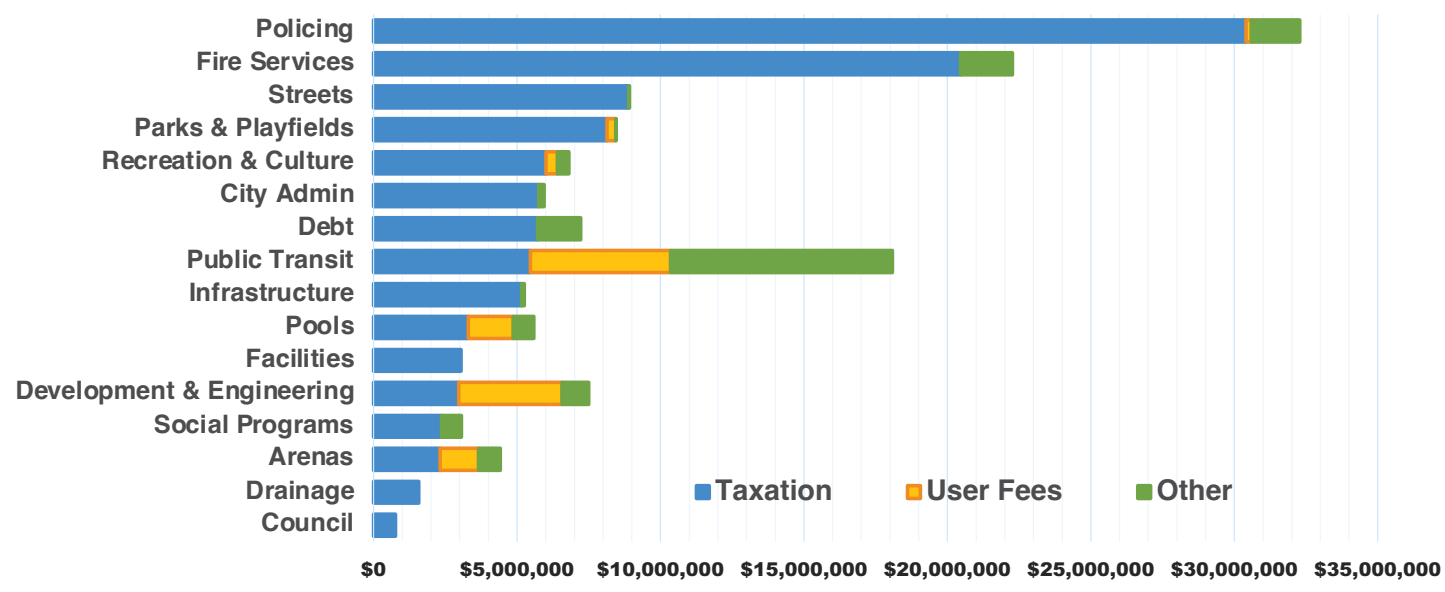
(Principle and Interest All Streams)



The General Fund of \$175 Million Includes Revenue from Several Sources:



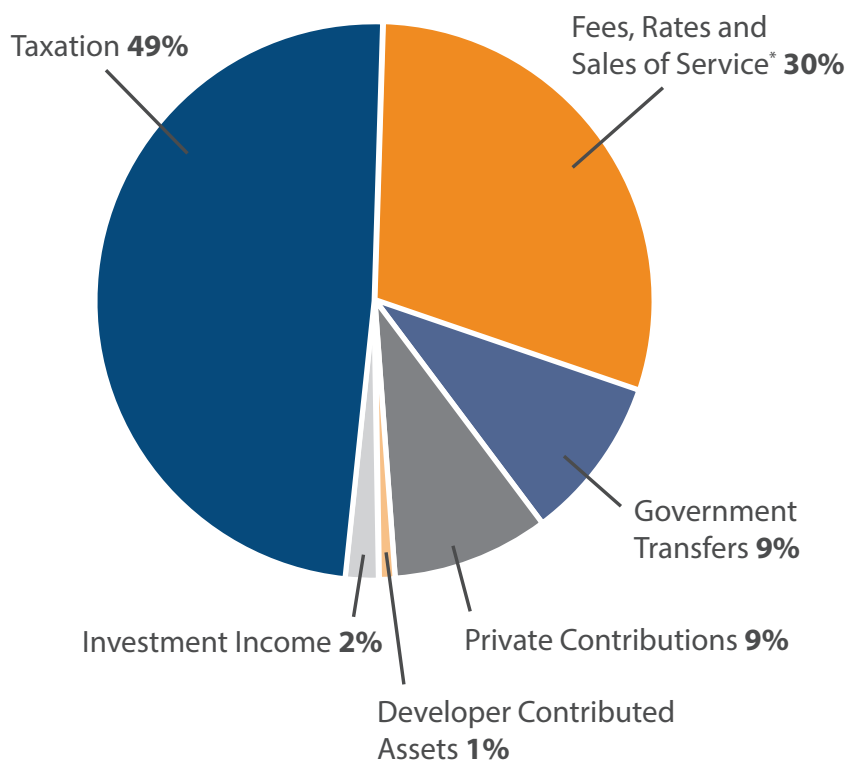
Service Funding Through the General Fund





Consolidated Revenue by Source

(General and Utility funds)

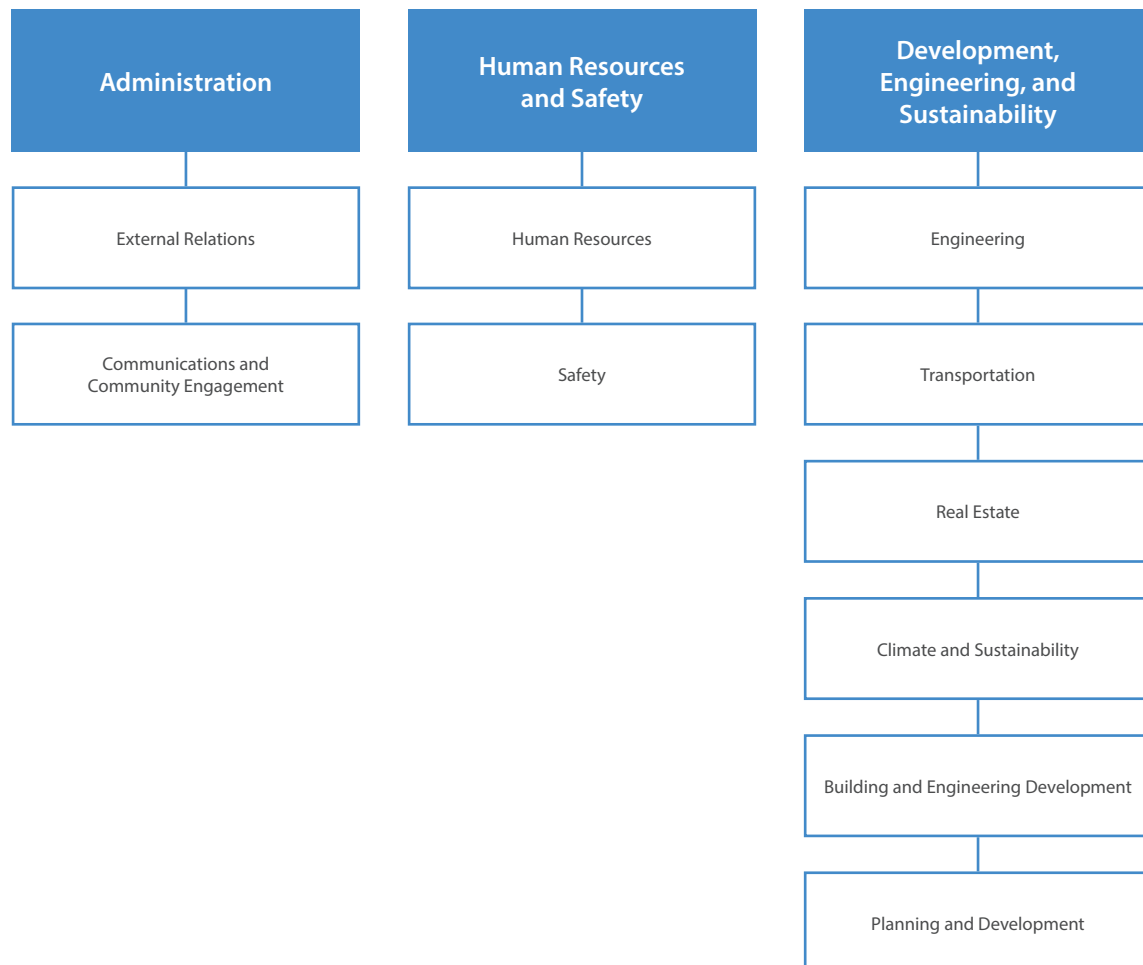
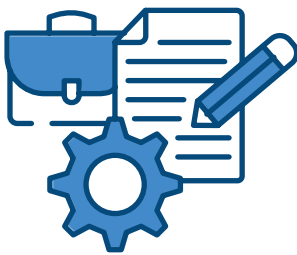


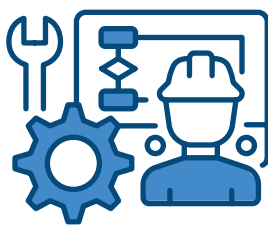
| FIVE-YEAR CONSOLIDATED REVENUE BY SOURCE | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| (in thousands of dollars) | 2019 | 2020 | 2021 | 2022 | 2023 |
| Taxation | \$116,818 | \$119,687 | \$123,939 | \$131,560 | \$134,500 |
| Fees, rates, and sales of service * | 74,492 | 68,465 | 71,870 | 81,823 | 82,000 |
| Government transfers | 24,549 | 34,612 | 26,502 | 25,922 | 26,200 |
| Private contributions | 8,372 | 5,048 | 6,025 | 24,984 | 25,000 |
| Developer-contributed assets | 1,105 | 2,323 | 2,346 | 2,452 | 2,500 |
| Investment income | 6,084 | 7,385 | 4,870 | 5,217 | 5,300 |
| | \$231,420 | \$237,520 | \$235,552 | \$271,958 | \$275,500 |

*Note: Gain (loss) from capital asset disposal offset against fees, rates, and sales of services.

Source: City of Kamloops, Financial Services Division

City Administration and Departments





Civic Operations

Capital Projects

Streets and
Environmental Services

Trades and Fleet

Utility Services

Parks and Civic Facilities

Corporate Services

Legislative Services

Financial Services

Information Technology

Financial Planning and Procurement

Enterprise Risk Management

Community and Protective Services

Community Services
(formerly Bylaw Services)

Kamloops Fire Rescue

RCMP

Recreation, Social
Development, and Culture



Canada's Tournament Capital

City of Kamloops  British Columbia, Canada

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