



Budget Overview

The Budget Overview Sheet was first developed for presentation to the Okanagan Falls Incorporation Study Committee at its meeting on May 28, 2024. The sheet was prepared using information available at the time of writing. Further changes will be made if new information becomes available.

➤ Introduction

The terms of reference for the Incorporation Study include the development of a multi-year budget for an Okanagan Falls municipality that extends beyond the term of Provincial Offer of Restructure Assistance. This document outlines the information included in the budget, capital budget and associated sample tax notices. The consultants reviewed the budget and tax notices with the Committee at the May 28 meeting.

Notes and Assumptions

The budget presents the municipal revenues and expenses already reviewed with the Committee in the various *Service Sheets*, but where applicable, updates to the costs using the Okanagan-Similkameen Regional District's 2024 budget, as well as updated assessment information, have been used and extends the costs over a seven-year period beginning in 2025. The budget focuses on the municipal revenues and expenses, and does not include the costs of services provided by RDOS, or the Okanagan Regional Library (ORL), in which the new municipality would participate. The cost of the RDOS and ORL services are, however, included on the sample tax notices to provide the full picture. The costs and revenues are not adjusted for inflation.

Property Tax Rates

Property taxes shown in the budget are based on the amount of funds necessary to recover the costs of the

services, once other revenue sources are deducted. The tax requisition is not reduced as the result of the transition funding or provincial assistance. Similarly, the amount required to operate a roads service in the first five-year period when the roads are still maintained by the Ministry of Transportation and Infrastructure (MoTI), is recovered throughout the seven-year period through taxes. Although these funds are not required to fund the service in the first five years, the municipality will need funds to build reserves and acquire equipment and associated public works facilities (sand and salt shed) to provide the service after year five. A stable property tax rate is therefore assumed over the entire seven-year period in order to establish the municipal services, create reserves and acquire the necessary facilities and equipment to provide the service.

The calculation of property tax rates assumes that the same tax ratios between the property classes as used by the regional district are used by the municipality. It should be noted, however, that the municipality would have the ability to alter the ratios for all property classes, including business and residential.

Properties that are residential dwellings on land classified as farm class are currently exempt from paying the provincial rural tax on the value of their residence. After incorporation, the dwelling is not exempt from the municipal property tax. To minimize the impact of this change, in accordance with the *Community Charter* (Section 222) the dwelling receives an exemption from municipal taxes, and the exemption is reduced by 20% each year. The exemption is therefore 100% in year one, until year six when there is no exemption. The reduced revenues for the municipality as a result of this phased exemption, is accounted for in the budget, and offset using some of the provincial transition funds, rather than impacting the property tax rates for properties that do not receive any exemptions.



Operating Reserve

An operating reserve is assumed to be created from the transfer of operating reserve funds for each of the RDOS services in which Okanagan Falls would no longer be a participant. For each operating reserve, a portion of the reserve, estimated at the end of 2024, is allocated to the new municipality based on the proportion of converted assessment. Figure 1 shows the estimated reserve amounts that would be transferred to a new municipality. The resulting combined operating reserve represents approximately 7.7% of the municipality's annual operating expenses.

The combined operating reserve amount has been shown on the budget for the purposes of calculating interest. Operating reserves that relate to services and service areas that either extend beyond the municipal boundaries (such as fire), or service only a portion of the municipality (water, sewer) would remain dedicated for the benefit of the specific service area. The water and sewer operating accounts are shown separately, given the self-funding nature of utilities.

It is assumed that reserves would be invested in the Municipal Finance Authority's short-term investment funds, and a one-year interest rate of 4.5% has been used to calculate interest. Interest in both operating and capital reserves accrues to the individual reserve account.

Capital Budget

There are eight capital reserves shown in the capital budget for the municipality:

- Municipal Equipment (transition funds)¹
- Fire Protection
- Water
- Sewer
- Roads
- Recreation
- Parkland Acquisition
- Community Works Fund

¹ Building Inspection capital reserve was included in Municipal Equipment reserve.

² Even though the fire and recreation services are provided to service areas that extend beyond the municipal boundaries,

Figure 1 Reserve Accounts

Operating Accounts	
OK Falls Fire Operating	\$112,138
OK Falls Water Operating	\$96,869
OK Falls Municipal-wide Operating	\$187,091
Total	\$396,097
Capital Accounts	
OK Falls Fire	\$1,082,089
OK Falls Water	\$0
Sun Valley Water	\$29,113
Rolling Hills Water	\$75,000
OK Falls Sewer	\$60,488
Parks & Recreation	\$346,220
Parkland Acquisition	\$3,681
Community Works Fund (gas tax)	\$41,418
Building Inspection	\$88,731
Total	\$1,726,740

Similar to the operating reserves, it is assumed that the existing capital reserves would be transferred to the new municipality at a rate based on converted assessment for services where only a portion of the service is being transferred (see Figure 1). The full capital reserves are assumed to be transferred for the Okanagan Falls fire protection, Okanagan Falls and Sun Valley water systems, Okanagan Falls sewer service and Okanagan Falls recreation.²

Where services have more than one capital reserve (buildings, equipment) those have been consolidated for simplicity in sharing the information. In addition, the three separate water system capital reserve accounts have been consolidated for reporting purposes in the capital budget. The three funds would be kept separate for accounting purposes, to ensure the water users for each system pay for the local service provided. Similarly, even though the capital expenditure or development cost charge (DCC) reserves must be used only for specific growth-related projects, the sewer DCC account is included with the

the reserves, which will benefit the entire service area, are assumed to be transferred to the municipality as the service provider.



sewer capital budget for simplicity. Increases to DCC and CEC accounts due to development over the seven-year period have not been estimated and added to the reserves, although it is acknowledged that development will generate some additional capital funding.

The 2024 budget data has been used to estimate contributions to and withdrawals from the reserve accounts, with the estimated reserve status at the end of 2024 used to estimate transfers.

There are three service areas that have significant capital expenses to consider:

- The OK Falls Water system is planned in the RDOS 2024 budget for \$9.6 million in capital upgrades between 2024 and 2028. The capital projects involve a variety of funding sources, including \$4 million in borrowing and \$3.1 in grants. Even though the municipal budget begins in year 2026 many of these costs will remain, and much of the dedicated capital reserves will be depleted. An allowance for borrowing costs has been included in the water operating budget, even though it was not part of the RDOS budget for 2024 (used as the basis for the costs), in recognition of the borrowing that will need to occur. Increases to the rates and expenses (9%) are therefore shown in each of years two and three of the OK Falls water budget. It is emphasized that the increases shown in the municipal budget are not a result of incorporation, and would occur in both an incorporation and status quo scenario. It is also noted that increases to OK Falls water system users do not impact the users of other municipal water systems (Sun Valley and Rolling Hills).
- It is estimated that establishing a public works department, and acquiring the equipment and

facilities to support the municipality in providing roads maintenance, will total between \$2 and \$3 million. The estimate includes acquisition of equipment and a salt/sand shed. The estimate includes dump trucks equipped with snow plows and sand/salt spreaders, a flat deck truck, a pick-up truck, a backhoe, and other equipment (plate compactor, air compressor, chain saws, leaf blowers, power and hand tools). Some equipment that is only needed on occasion is assumed to be contracted out due to the size and scale of the municipality (i.e. crack sealer, mowers). The costs are recovered from transition funds (equipment reserve) in years four and five, as well as from the roads reserve in year four.

- In addition to the sand/salt shed, a shop/garage or public works yard will be needed to store equipment. A more fulsome public works building could be used to house both equipment and public works staff. Conversely, temporary structures, and combination of trailers can be used in the interim. Examples of purpose-built public works buildings (with shop for equipment/vehicle storage and repair) include the Town of Princeton, where a 10,000 ft² public works building was recently completed (2023) to replace the public works yard that was lost during the 2021 floods. The new building includes service bays, office space, breakroom, washroom, and parts storage. The building was completed in 2023 at a cost of \$3.93 million.³ The capital budget currently allocates \$3 million in funds in total to acquiring the equipment and facilities to support the roads/public works function.
- The third major capital expense is the work associated with upgrading the road network

³ The District of Sechelt just completed its public works building at a cost of approximately \$3 million, but that community, with a population greater than 10,000 previously operated their public works and parks

department out of portables, Quonset huts and storage containers for the past 10 years.



once the roads are no longer maintained by the MoTI. As noted previously, the budget assumes that the full municipal tax rate is recovered from the time of incorporation (with 0% increases over the 7 years) to establish roads reserves that can be used to help fund capital works needed to support this function. While capital works estimated in the *Road Investment Review* prepared by Urban Systems were noted as necessary beginning in 2033, funds toward those works are shown in years six and seven (2031 and 2032) of the capital budget to demonstrate the impact this scale of capital works will have on reserves. Funds are drawn from both the roads reserve and the Community Works Fund (gas tax) to account for those improvements. Depending on the quality of roads at that time, and the availability of other revenue sources, such as grants and development cost charges, additional reserve contributions may need to be made to support the extent of capital works needed for this service.

not sufficient, the community works fund has been used to supplement budgeted capital projects.

- Provincial transition assistance is allocated to the municipal equipment reserve to help acquire the equipment needed to establish the new municipality, and in particular the roads and public works equipment.

Other assumptions reflected in the capital budget include:

- As noted in the *Administration Service Sheet*, it is assumed that in the short term, the former Okanagan Falls Irrigation District building can be used for some staff, but given the full staff complement outlined in the individual *Service Sheets* of approximately 25 FTE, additional space will be needed.⁴ A budget of \$50,000 for year is included in the Administration operating budget for lease of space, or mortgage if office space is secured. No additional funds are included in the capital budget for this purpose.
- No changes to the capital programs already identified through RDOS or MoTI services have been assumed, as those decisions would be made by Council. Where capital reserves are

⁴ Note that not all staff work indoors, and not all require dedicated office space. Staffing includes public works, sewer

and water operators, fire chief, recreation workers, among others.



	2025 YEAR 1	2026 YEAR 2	2027 YEAR 3	2028 YEAR 4	2029 YEAR 5	2030 YEAR 6	2031 YEAR 7
REVENUES							
<u>UTILITY TAX AND FRANCHISE AGREEMENTS</u>							
Utility Tax (1%)	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Fortis Franchise Agreement	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
<u>SALE OF SERVICES AND AGREEMENTS</u>							
Area D contributions to Parks & Rec	\$339,019	\$339,019	\$339,019	\$339,019	\$339,019	\$339,019	\$339,019
Planning & Subdivision Fees (Applications)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Building Permit fees	\$54,275	\$54,275	\$54,275	\$54,275	\$54,275	\$54,275	\$54,275
Bylaw Enforcement Fees	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Business Licenses	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Rental	\$25,339	\$25,339	\$25,339	\$25,339	\$25,339	\$25,339	\$25,339
Recreation Fees	\$17,142	\$17,142	\$17,142	\$17,142	\$17,142	\$17,142	\$17,142
Cemetery Fees	\$10,404	\$10,404	\$10,404	\$10,404	\$10,404	\$10,404	\$10,404
Area D Contribution to Fire Service	\$231,172	\$231,172	\$231,172	\$231,172	\$231,172	\$231,172	\$231,172
<u>UNCONDITIONAL GRANTS</u>							
Small Communities Grant	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Community Works Fund	\$190,000	\$190,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
<u>PROVINCIAL OFFER/TRANSITION ASSISTANCE</u>							
Provincial Tax Rebate (pre June)	\$773,150	\$0	\$0	\$0	\$0	\$0	\$0
Pre-incorporation Transition	\$180,000	\$0	\$0	\$0	\$0	\$0	\$0
Provincial Transition Assistance (per capita)	\$623,150	\$0	\$0	\$0	\$0	\$0	\$0
Provincial Post Transition Planning Grant	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0
First Nation Collaboration Grant	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0
SUBTOTAL	\$3,228,651	\$1,502,351	\$1,509,351	\$1,459,351	\$1,459,351	\$1,459,351	\$1,459,351
<u>MUNICIPAL PROPERTY TAXES</u>							
Municipal Revenues	\$1,452,351	\$1,452,351	\$1,459,351	\$1,459,351	\$1,459,351	\$1,459,351	\$1,459,351
Transition Assistance	\$1,613,800	\$115,000	\$98,750	\$32,500	\$16,250	\$0	\$0
Municipal Expenses	(\$3,945,101)	(\$3,765,101)	(\$3,765,101)	(\$3,715,101)	(\$3,715,101)	(\$3,715,101)	(\$3,715,101)
Farm Residence Transition	(\$81,250)	(\$65,000)	(\$48,750)	(\$32,500)	(\$16,250)	\$0	\$0
Property Tax Needed	(\$960,200)	(\$2,262,750)	(\$2,255,750)	(\$2,255,750)	(\$2,255,750)	(\$2,255,750)	(\$2,255,750)
Property Tax Raised	\$2,452,750	\$2,452,750	\$2,452,750	\$2,452,750	\$2,452,750	\$2,452,750	\$2,452,750
Capital Reserve Contributions	\$1,492,550	\$190,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
Property Tax Rate	2.3979	2.3979	2.3979	2.3979	2.3979	2.3979	2.3979
On \$500,000 residential property	\$1,199	\$1,199	\$1,199	\$1,199	\$1,199	\$1,199	\$1,199
Annual Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>OPERATING RESERVES</u>							
Operating Reserve/Surplus	\$299,229	\$379,694	\$463,780	\$551,651	\$643,475	\$739,431	\$839,706
Operating Reserve Interest	\$13,465	\$17,086	\$20,870	\$24,824	\$28,956	\$33,274	\$37,787
% of municipal expenses	7.6%	10.1%	12.3%	14.8%	17.3%	19.9%	22.6%

EXPENSES

ADMINISTRATION

Grants in aid	\$3,438	\$3,438	\$3,438	\$3,438	\$3,438	\$3,438	\$3,438
Projects	\$11,178	\$11,178	\$11,178	\$11,178	\$11,178	\$11,178	\$11,178
Administration	\$1,043,000	\$1,043,000	\$1,043,000	\$1,043,000	\$1,043,000	\$1,043,000	\$1,043,000
Transition Costs	\$180,000	\$0	\$0	\$0	\$0	\$0	\$0
First Nation Collaboration	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0
Municipal Hall Costs	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

PLANNING & BUILDING

Planning and Subdivision	\$178,000	\$178,000	\$178,000	\$178,000	\$178,000	\$178,000	\$178,000
Building Inspection	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500
Business License	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Bylaw Enforcement	\$54,625	\$54,625	\$54,625	\$54,625	\$54,625	\$54,625	\$54,625
Economic Development	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000

PARKS, RECREATION AND CULTURE

Parks and Recreation	\$808,486	\$808,486	\$808,486	\$808,486	\$808,486	\$808,486	\$808,486
Cemetery	\$68,405	\$68,405	\$68,405	\$68,405	\$68,405	\$68,405	\$68,405

PUBLIC WORKS & UTILITIES

Street lights	\$28,402	\$28,402	\$28,402	\$28,402	\$28,402	\$28,402	\$28,402
Roads Operating (maintenance)	\$517,100	\$517,100	\$517,100	\$517,100	\$517,100	\$517,100	\$517,100
- Roads Capital Reserve Contributions	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000

EMERGENCY SERVICES

Fire	\$397,817	\$397,817	\$397,817	\$397,817	\$397,817	\$397,817	\$397,817
- Fire Capital Reserve Contributions	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500
Victim Services	\$1,650	\$1,650	\$1,650	\$1,650	\$1,650	\$1,650	\$1,650

OPERATING RESERVE CONTRIBUTION

\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000
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SUBTOTAL	\$3,945,101	\$3,765,101	\$3,765,101	\$3,715,101	\$3,715,101	\$3,715,101	\$3,715,101
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UTILITIES (SELF FUNDED)

WATER

SUN VALLEY WATER

Revenues

User Fees	\$85,849	\$85,849	\$85,849	\$85,849	\$85,849	\$85,849	\$85,849
Misc Fees	\$100	\$100	\$100	\$100	\$100	\$100	\$100

Expenses

Operating	\$82,149	\$82,149	\$82,149	\$82,149	\$82,149	\$82,149	\$82,149
- Capital reserve contributions	\$3,800	\$3,800	\$3,800	\$3,800	\$3,800	\$3,800	\$3,800

OK FALLS WATER

Revenues

User Fees	\$813,273	\$886,468	\$966,250	\$966,250	\$966,250	\$966,250	\$966,250
Misc Fees	\$10,120	\$10,120	\$10,120	\$10,120	\$10,120	\$10,120	\$10,120

Expenses

Operating	\$673,393	\$746,588	\$826,370	\$826,370	\$826,370	\$826,370	\$826,370
- Capital reserve contributions	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000

ROLLING HILLS

Revenues

User Fees	\$20,900	\$20,900	\$20,900	\$20,900	\$20,900	\$20,900	\$20,900
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Expenses

Operating	\$16,900	\$16,900	\$16,900	\$16,900	\$16,900	\$16,900	\$16,900
- Capital reserve contributions	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000

OK FALLS SEWER

Revenues

User Fees	\$1,300,389	\$1,300,389	\$1,300,389	\$1,300,389	\$1,300,389	\$1,300,389	\$1,300,389
Misc Fees	\$86,088	\$86,088	\$86,088	\$86,088	\$86,088	\$86,088	\$86,088

Expenses

Operating	\$1,366,477	\$1,366,477	\$1,366,477	\$1,366,477	\$1,366,477	\$1,366,477	\$1,366,477
- Capital reserve contributions	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000

UTILITY OPERATING RESERVES

Water	\$96,869	\$118,336	\$140,769	\$164,211	\$188,709	\$214,309	\$241,061
Reserve Interest	\$4,359	\$5,325	\$6,335	\$7,390	\$8,492	\$9,644	\$10,848
Sewer	\$0	\$30,500	\$62,373	\$95,741	\$130,678	\$167,259	\$205,559
Reserve Interest	\$0	\$1,373	\$2,869	\$4,437	\$6,080	\$7,800	\$9,601
% of Combined Utility Budgets	4.2%	6.2%	8.2%	10.5%	12.9%	15.4%	18.1%

CAPITAL RESERVES

	MUNICIPAL EQUIPMENT	FIRE	WATER	SEWER	ROADS	RECREATION	PARKLAND	CWF
BEGINNING OF 2025	\$88,731	\$1,082,089	\$104,113	\$60,488	\$0	\$346,220	\$3,681	\$41,418
In	\$1,492,550	\$109,500	\$157,800	\$20,000	\$667,100	\$80,000	\$0	\$190,000
Out	\$0	(\$51,000)	(\$175,000)	(\$15,000)	\$0	(\$67,000)	\$0	(\$145,300)
Investment income	\$37,575	\$50,010	\$4,298	\$2,834	\$15,010	\$15,872	\$166	\$2,870
BEGINNING OF 2026	\$1,618,856	\$1,190,599	\$91,211	\$68,323	\$682,110	\$375,092	\$3,846	\$88,988
In	\$0	\$109,500	\$157,800	\$20,000	\$667,100	\$80,000	\$0	\$190,000
Out	\$0	(\$51,000)	(\$150,000)	(\$80,000)	\$0	(\$40,000)	\$0	(\$180,000)
Investment income	\$72,849	\$54,893	\$4,280	\$1,725	\$45,705	\$17,779	\$173	\$4,229
BEGINNING OF 2027	\$1,691,705	\$1,303,993	\$103,291	\$10,047	\$1,394,914	\$432,872	\$4,019	\$103,218
In	\$0	\$109,500	\$157,800	\$20,000	\$667,100	\$80,000	\$0	\$197,000
Out	\$0	(\$51,000)	(\$150,000)	(\$30,000)	\$0	(\$40,000)	\$0	(\$50,000)
Investment income	\$76,127	\$59,996	\$4,824	\$227	\$77,781	\$20,379	\$181	\$7,952
BEGINNING OF 2028	\$1,767,831	\$1,422,489	\$115,914	\$274	\$2,139,795	\$493,251	\$4,200	\$258,170
In	\$0	\$109,500	\$157,800	\$20,000	\$667,100	\$80,000	\$0	\$197,000
Out	(\$500,000)	(\$51,000)	(\$150,000)	\$0	(\$2,000,000)	(\$40,000)	\$0	(\$180,000)
Investment income	\$68,302	\$64,012	\$5,216	\$0	\$96,291	\$22,196	\$189	\$11,618
BEGINNING OF 2029	\$1,336,134	\$1,545,001	\$128,930	\$20,274	\$903,186	\$555,447	\$4,389	\$286,787
In	\$0	\$109,500	\$157,800	\$20,000	\$667,100	\$80,000	\$0	\$197,000
Out	(\$500,000)	(\$51,000)	(\$150,000)	(\$20,000)	\$0	(\$40,000)	\$0	(\$90,000)
Investment income	\$48,876	\$69,525	\$5,802	\$0	\$40,643	\$24,995	\$198	\$12,905
BEGINNING OF 2030	\$885,010	\$1,673,026	\$142,532	\$20,274	\$1,610,930	\$620,442	\$4,587	\$406,693
In	\$0	\$109,500	\$157,800	\$20,000	\$150,000	\$80,000	\$0	\$197,000
Out	\$0	(\$51,000)	(\$150,000)	(\$20,000)	(\$362,000)	(\$40,000)	\$0	\$0
Investment income	\$39,825	\$75,286	\$6,414	\$0	\$72,492	\$27,920	\$206	\$18,301
BEGINNING OF 2031	\$924,835	\$1,806,812	\$156,746	\$20,274	\$1,471,421	\$688,362	\$4,793	\$621,994
In	\$0	\$109,500	\$157,800	\$20,000	\$150,000	\$80,000	\$0	\$197,000
Out	\$0	(\$51,000)	(\$150,000)	(\$40,000)	(\$782,000)	(\$40,000)	\$0	(\$180,000)
Investment income	\$41,618	\$81,307	\$7,054	\$0	\$66,214	\$30,976	\$216	\$27,990
END OF YEAR 7	\$966,453	\$1,946,618	\$171,600	\$274	\$905,635	\$759,338	\$5,009	\$666,984