



Regional Board Report

Information

To: Regional Board
From: Director of Financial Services
Date: January 22, 2026
Subject: 2026-2030 Financial Plan – DRAFT

Voting Entitlement: All Directors – Weighted Corporate Vote – Majority (LGA s.210)

Purpose: To review the Regional District of Central Okanagan's draft 2026-2030 Financial Plan

Executive Summary:

This Regional District of Central Okanagan's (RDCO's) draft 2026-2030 Financial Plan (the Plan) ensures that the RDCO continues to deliver services for residents in an efficient and cost-conscious manner, keeping pace with growth and inflation while appropriately investing in critical infrastructure and delivering on the RDCO Board of Director's Strategic Priorities.

The key drivers to the changes in the operating and capital costs in the Plan are:

- Inflationary costs including increasing costs of goods and services, as well as annual adjustments for wages approved in the 2025-2027 Collective Agreement
- Previously approved addition of new services and increases in service levels
- Increase in transfers to reserves to proactively plan for future expenditures.
- Increase in debt servicing costs in response to new long-term debt issued to municipalities.
- Investment in critical infrastructure including Parks, the Wastewater Treatment Plant and Information Technology

Operating Changes

See the list below which highlights how these drivers support priorities of the Board, and regulatory requirements. The following are examples of budget impacts, though not an exhaustive list:

- Emergency Preparedness:
 - Allowing for a full cost recovery for the City of Kelowna by addressing the historical funding gap for dispatch services, as well as supporting the ongoing investment in technology for this service and the increasing operational costs of call volumes that continue to grow: this is a 34% increase over 2025 costs.
 - Transitioning the operations of the Emergency Management Program from the City of Kelowna to the RDCO.
- Environment & Climate
 - Providing safer parks through ongoing wildfire recovery work to remove hazards and reopen park areas that were closed from the McDougall Creek wildfire.
 - Enhancing conservation of healthy ecosystems with noxious weed management across regional and community parks.

- Renewal of existing essential infrastructure to safeguard residents' health and the environment and advancing a proactive approach to infrastructure renewal and replacement to position the RDCO for successful grant applications and timely delivery.
- Health & Wellness:
 - Opening previously seasonal parks to year-round access by servicing them throughout the winter.
 - Enhancing active transportation and accessibility by completing the planning and design for trail networks in various parks.
 - Growing the staffing capacity of the Parks department to meet visitor demand for additional programming, to provide quicker responses to maintenance issues and to complete the backlog of approved capital projects that will provide updated facilities for visitors to the regional parks.
 - Strategic re-deployment of existing Engineering positions to accelerate the delivery of over \$40 million in critical capital projects currently facing delays.
- Transportation:
 - Re-integration of regional transportation planning into the regional planning function to ensure legislative requirements under the *Local Government Act* are met.

The Plan includes \$77.7 million in operating expenditures for 2026. This represents an overall increase of \$6.9 million or 9.8%, with remuneration costs making up one third of total expenditures. The remuneration costs are projected to increase \$2.0 million. Almost 40% of this increase is driven by the increases negotiated in the Collective Agreement and previously approved positions.

General operating expenses are projected to increase \$2.1 million. Over 50% of this increase (\$1.1M) is driven by inflation. The remainder is driven by a) The City of Kelowna increasing fire dispatch contract services costs to provide for full cost recovery (\$500K) and b) the costs of improvements being made to the RDCO's information technology to ensure a robust and secure infrastructure (\$425K).

The Plan includes an increase in debt servicing costs of \$1.7M. These costs are fully borne by the municipality that borrows the funds and do not impact the RDCO's tax requisition.

The impact of the Plan, for each property owner, varies depending on the services they receive and the value of their property. For the average home in the Central Okanagan, with an assessment of \$880 thousand, the share of the total annual tax requisition for 2026 is \$438, an increase of \$29 per year over 2025. See Appendix B for details.

Capital Changes

Capital requirements within the Plan total \$15.8 million. These costs are funded predominantly through reserves, with funding from grants where available, development cost charges were applicable, and debt when reserves are insufficient. Like many other local governments, the RDCO has historically lacked the resources to deliver on capital projects. This has resulted in a backlog of approved capital projects that have either been delayed or deferred. This Plan includes re-allocated and new staffing positions to support the RDCO's ability to address this backlog while concurrently delivering on the new capital projects in this plan.

Reserve levels fluctuate in response to the variable need for spending on capital projects. In this Plan, total reserve levels are projected to increase over the five-years of the Plan. The goal is to continue to

build these reserves in the coming years to support future asset replacement and renewal plans and to ensure there are sufficient funds to cover unplanned expenditures.

Recommendation(s):

THAT the Regional Board receives the report 2026-2030 Financial Plan draft from the Director of Financial Services, dated January 22, 2026, for information

Report Approved by: Tania McCabe, CPA, CA, Director of Financial Services

Approved for Agenda: Sally Ginter, Chief Administrative Officer

Strategic Plan Alignment:

- | | |
|---------------------------|---|
| ✓ Emergency preparedness | ✓ Truth and reconciliation |
| ✓ Health and wellness | ✓ Environment and climate – Regional priority only |
| ✓ Regional transportation | ✓ Growth and development – Electoral Area priority only |
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Background:

1. FINANCIAL PLANNING PROCESS

Annually, the RDCO must develop a financial plan that covers a five-year period and is inclusive of funding and expenditures for both operating and capital financial plans. The Plan is developed in alignment with legislation and, upon approval, provides authority for the operations of the RDCO for the five years of the financial plan. Final financial plan approval is required before March 31 of each year.

A draft financial plan is developed to allow service participants and local ratepayers to comment on and make recommendations to programming, funding requirements, and initiatives. The draft financial plan will be subject to changes due to final year-end adjustments, revised assessment information, and any other amendments from the Board before final approval.

The preparation of the Plan aims to fulfil four key financial planning goals (these goals are explained in more depth in the report to the Board on the Financial Planning Highlights on [December 15, 2022](#)):

- Optimization of existing resources for maximum community benefit.
 - Based on the Board's & community's priorities.
- Positioning the RDCO for current and future financial stability.
 - To allow for predictable tax requisitions over the years.
- Maintaining a transparent process.
 - Stakeholders are informed as to when and how to provide input on the financial plan.
- Creating a document that is understandable.
 - Clearly defined impacts on stakeholders.

There are also several factors that are important to consider:

- The Board's [Strategic Plan](#).
- The economic environment:
 - Inflation & interest rates – stabilized.
 - Supply chain challenges – improving.
 - Contractual requirements – mandatory and projectable.
- Existing and planned service levels:
 - The resources needed to deliver core services.
 - The impact of new initiatives.
- Infrastructure needs:
 - The advancement of capital renewal, replacement and improvement.

The Plan includes operating and capital plans, changes in reserve funds and impacts on tax requisitions and user fees.

For services funded through tax requisitions, costs are apportioned on an assessment basis. Historical growth trends vary by participant. These differences have an impact on the increases an individual resident may experience.

It's important to note that existing and planned service levels are the main drivers of the costs within the Plan. These drivers are a product of the needs and wants of the community, the priorities of the Board, and regulatory requirements. Major initiatives affecting the organization's services are addressed and coordinated through service planning.

2. 2026-2030 FINANCIAL PLAN

Key advancements in the Plan in support of the Regional Board's Strategic Priorities:

- Emergency Preparedness:
 - Allowing for a full cost recovery for the City of Kelowna by addressing the historical funding gap for dispatch services, as well as supporting the ongoing investment in technology for this service and the increasing operational costs of call volumes that continue to grow.
 - Transitioning the operations of the Emergency Management Program from the City of Kelowna to the RDCO.
- Environment & Climate
 - Providing safer parks through ongoing wildfire recovery work to remove hazards and reopen parks that were closed from the McDougall Creek wildfire.
 - Rose Valley Park will be 75% re-opened by the end of 2026
 - A loop trail in Stephens Coyote Park will reopen in 2026.
 - Enhancing conservation of healthy ecosystems with noxious weed management across regional and community parks.
 - This work will be done to meet the requirements of RDCO Bylaw No. 1544.
 - The focus will be on known areas such as the Tree of Heaven in Kalamo Regional Park as well as responding to public service requests.
 - Renewal of existing essential infrastructure to safeguard residents' health and the environment.

- A proactive approach to infrastructure renewal and replacement to position the RDCO for successful grant applications and timely delivery.
- Health & Wellness:
 - Opening previously seasonal parks to year-round access with servicing throughout the winter.
 - Increasing servicing from once a week to four times a week at multiple sites (Johns Family Nature Conservancy, Woodhaven, Hardy Falls, Antlers Beach, Trepanier Creek, Kalamoir, Raymer Bay, Traders Cove, and daily servicing at Bertram Creek and Truswell).
 - Opening previously seasonal parks to year-round access and servicing throughout the winter (Traders Cove, Raymer Bay, Glen Canyon-Bown Road, and Woodhaven)
 - Enhancing active transportation and accessibility by completing the planning and design for trail networks in various parks.
 - Completing the planning and design for the Goats Peak multi-use connector trail to the Regional Active Transportation Network.
 - Upgrades to the Soopalallie Trail to connect to the planned Gerstmar Bridge in Mission Creek.
 - An accessible dock with canoe/kayak launch and accessible trail and parking area at Reiswig.
 - Improving facilities with a new washroom in Kaloya and updates to the washroom in Mission Creek.
 - Upgrades to various other trails and interpretive signage.
 - Commitment to complete the backlog of nine delayed capital facility projects by the end of 2026.
 - Growing the staffing capacity of the Parks department to meet visitor demand for additional programming, provide quicker responses to maintenance issues and the completion of the backlog of approved capital projects that will provide updated facilities for visitors to the regional parks.
 - Expansion of programming offerings on the busiest day of the week by expanding a part-time position to a full-time position.
 - Implementation of a new work order system to target faster responses to safety issues and improved oversight of contractor performance.
 - Strategic re-deployment of existing Engineering positions, as well as the addition of a new one, to accelerate the delivery of over \$40 million in critical capital projects currently facing delays.
- Transportation:
 - Re-integration of regional transportation planning into the regional planning function to ensure legislative requirements under the *Local Government Act* are met.

3. OPERATING PLAN

The 2026 Plan includes operating expenditures of \$77.8 million, an increase of \$7.0 million (9.8%) over the 2025 Plan of \$70.8 million. Details of what is driving the increase in expenditures is provided in the section on Operational Expenditures (starting on page 6).

Appendix A - Financial Plan Summary - Comparison to Prior Year shows the year-over-year change in the Plan for each service.

OPERATIONAL FUNDING

Sources of funding vary by service and include the following:

- Sale of services (aka fees and charges),
- Property tax requisitions (including parcel taxes),
- Reserve transfers,
- Grants, and
- Other revenue.

The main source of funding for services is tax requisitions (including parcel taxes), and fees and charges. Other sources of funding, such as external grants, are used to reduce the RDCO's reliance on these main sources of funding.

Table 1 outlines the year-over-year change in revenue by source.

Table 1 -Summary of Financial Plan Operating Funding

Sources of Funding	2025 ('000s)	2026 (000's)	Change
Tax requisition & parcel taxes	33,432	36,661	3,228
Services, rental & other	19,958	21,300	1,342
Grants	1,430	1,693	263
Prior year surplus (deficit)	(4)	-	4
Transfers from reserves	2,668	2,956	288
Municipal debt	13,317	15,126	1,810
TOTAL	\$ 70,800	\$ 77,735	\$ 6,935

Tax Requisition

Revenue raised through tax requisition and parcel taxes totals an estimated \$36.8 million, an increase of \$3.3 million over 2025. Table 2 summarizes the change in requisition from 2025 categorized by regional, sub-regional, local, and electoral areas.

Table 2 - Tax Requisition & Parcel Tax by Service Type

Expenditure Type	2025 ('000s)	2026 (000's)	Change \$
Regional	26,414	29,068	2,653
Sub-regional	1,003	1,138	135
Local	1,090	1,112	21
Electoral Area East	2,273	2,486	214
Electoral Area West	2,652	2,857	205
TOTAL	\$ 33,432	\$ 36,661	\$ 3,228

The following is the impact for the average valued home within the different parts of the Central Okanagan:

Table 3 - Estimated Property Taxes for Average House

	Average House Value	Annual Tax Per	Monthly Tax per House	Annual \$ Change per Avg	Monthly \$ Change per Avg
Kelowna	\$917,866	\$ 303	\$ 25	\$ 28	\$ 2.31
Peachland	905,513	358	30	31	2.57
Lake Country	1,043,544	392	33	34	2.79
West Kelowna	964,162	351	29	30	2.48
Electoral Area West *	544,662	527	44	25	2.10
Electoral Area East *	899,807	700	58	29	2.40
AVERAGE	\$879,259	\$ 438	\$ 37	\$ 29	\$ 2.44

Appendix B – Tax Requisition Comparison provides a comparison of the 2026 tax requisitions to the 2025 amounts, by participating member and service.

The key services driving the increases are the following:

- Regional Rescue
 - Transitioning the operations of the Emergency Management Program from the City of Kelowna to the RDCO.
 - Supporting full cost recovery for the City of Kelowna for dispatch services.
- Regional & Electoral Area Planning
 - Re-integration of regional transportation planning into the regional planning function to ensure legislative requirements under the *Local Government Act* are met.
- Regional Parks
 - Enhancing conservation of healthy ecosystems with noxious weed management across regional and community parks.
 - Continuing the opening of previously seasonal parks to year-round access with servicing throughout the winter.
 - Enhancing active transportation and accessibility by completing the planning and design for trail networks in various parks.
 - Growing the staffing capacity of the Parks department to meet visitor demand for improved facilities and additional programming.
- Building Inspection
 - The continued, planned reduction of the use of operating reserves to fund staffing positions added in 2024.
- Fire Protection
 - Increasing contract fire protection costs.
 - Increasing transfers to capital reserves to support the replacement of fire protection apparatus without debt funding.
 - Planned reductions in the use of operating reserve to fund cost increases in prior years.

OPERATIONAL EXPENDITURES

Table 6 summarizes the operating expenditures of the RDCO into four key types, (operations, projects, transfers to reserve and municipal debt):

Table 4: Summary of Financial Plan Operating Expenditures

Type	2025 ('000s)	2026 (000's)	Change \$
Operations	44,347	48,436	4,088
Projects	2,785	3,387	602
Transfers to reserves	10,352	10,786	435
Municipal debt	13,317	15,126	1,810
Total	70,800	77,735	6,935

Operations

The RDCO provides a multitude of core services with annual operating expenditures ranging from \$1,000 to over \$10 million. These services are provided on a regional, sub-regional and local level and the participants for each can be different. Details on the changes for each service are provided in Appendix F – Service Summaries. For the lower cost services, a small change in the dollar value can result in a significant change on a percentage basis. As a result, this report focuses on those services with significant changes. A significant change is a change greater than 5% and/or \$10,000.

The key areas where operations costs have increased for all services are:

Table 5 – Operating Expenditure Changes

Type of Cost	Reason for Change	Cost (in 000's)
Remuneration (\$1.7M)	- Annual increases per the negotiated CUPE collective agreement. - New staffing to support the achievement of Board Strategic Priorities, current service levels and population growth. - Pay level changes resulting from the job evaluation process as per the CUPE collective agreement. - Pay increases to reflect changes in job duties and responsibilities, responding to the increasing complexity required to provide services.	\$820 \$507 \$145 \$190
General operating expenses (\$2.4M)	- Inflationary increases. - Increase in contract costs for fire dispatch services. - Software licensing cost increases to support expanded use of existing programs as well as new ones to improve the effectiveness of staff delivering services. - Hardening cyber security posturing. - Transition of the Emergency Operations Program to the RDCO – facility leasing costs and information technology support. - Other increases to match historical spending levels.	\$1,100 \$500 \$225 \$200 \$218 \$195
Operating Projects (\$0.4M)	- These are cyclical in nature and fluctuations are driven by the timing of projects. - Operating projects totalling \$3.5M are planned, funded predominantly from operating reserves that have been set aside for this purpose (\$2.1M) and external grants (\$1.2M)	
Transfers to Reserves (\$0.4M)	- Increases are made to planned transfers to reserves, to proactively plan for substantial future expenditures and reduce the financial impact on the years when those projects commence. - Two fifths of the increase are for the Wastewater Treatment service. - Increases to operating reserves have also been made to support future planning initiatives.	\$210 \$150
Debt Servicing (\$1.7M)	Debt servicing costs for new and renewed municipal debt.	\$1,700

Staffing Changes

Appendix C - 2026 Staffing Resources shows the changes to staffing for 2026. The new positions are:

- Parks Operations Coordinator (1.0 FTE)
 - To support the growing operational and administrative requirements resulting from increased:
 - Operational demands to meet increased service levels (year-round access) and population growth,

- Legislative responsibilities related to increased water monitoring, expanded beach management, Worksafe BC OHS 2025 updates, hazard trees, and increasing wildlife management needs.
 - Emergency response requirements related to coordination of park closures due to environmental risks, Park Ranger bylaw responses, hazard tree mitigation, human wildlife conflict responses, and ongoing emergency response planning in parks.
 - This position will ensure the continued delivery of high-quality services, compliance with legislative and regulatory requirements as well as the safety and well-being of staff and the public.
 - Total loaded cost = \$111,000
- Parks Facilities and Construction Labourer
 - To support the increasing capital project demands and an ongoing need for asset condition assessments, contractor oversight and in-house maintenance.
 - To provide updated facilities for visitors by addressing the backlog of approved projects:
 - - Ellison Community Centre (exterior doors),
 - - Gibson House (exterior envelope upgrades),
 - - Joe Rich Community Centre (interior and exterior upgrades),
 - - Gellatly Nut Farm (washroom upgrades),
 - - Reiswig (washroom replacement),
 - - Mission Creek (Hall Rd roof replacement; stair/railing replacements),
 - - Park Zone offices (exterior storage replacement, exterior envelope upgrades, window replacements), and
 - to provide ongoing capacity to efficiently address new capital and facility projects.
 - Total loaded cost = \$108,000
- Victim Services Supervisor (1.0 FTE)
 - The shift in the RCMP service delivery model to a decentralized one will require coordination across three RCMP detachments (previously one detachment). This position will support the effective management of inter-agency relationships within this new model and ensure the quality of the victim services program is maintained.
 - Total loaded cost = \$135,000
- Engineering Technologist (1.0 FTE)
 - To deliver the capital projects required to provide the infrastructure needed to support community growth and maintain existing service levels. There are currently 16 capital projects, with a total expected cost of \$47 million that are either delayed or deferred due to a lack of staff resources. Capital project spending is projected to increase 300% to address this backlog as well as complete 13 new projects that are planned. The new position is necessary for the Engineering department to complete these projects.
 - Total loaded cost = \$107,000
- Waste Reduction Educator
 - Direct service from Recycle BC begins in April 2026, and various curbside recycling campaigns, managed by the RDCO, are ending. The reduction in FTEs aligns with the reduction in revenue previously received by the RDCO. Other work required within the regional Solid Waste Management Plan will continue, supported in part by the proposed Waste Reduction Educator.
 - Total loaded cost savings = **-\$55,000**

The financial impact of the new positions is \$395 thousand.

In addition to the new positions, other changes to existing staff positions are as follows:

- Parks Labourers (1.1 FTE)
 - To support the conversion of four additional regional parks (Traders Cove, Raymer Bay, Glen Canyon & Woodhaven) from seasonal to full year access, in response to the Board's Strategic Priority to enhance year-round access to regional parks, three seasonal positions will be changed to full time positions.
 - Total loaded cost = \$93,000
- Parks Interpreter (0.2 FTE)
 - To increase staffing on Fridays to provide additional programming on the busiest day of the week for both public programs and school visits. This will support an enhanced visitor experience and increased access to programming to meet the growing demand.
 - Total loaded cost = \$19,000

The financial impact of the changes to existing positions is \$112 thousand.

Table 6 - Financial Impact of Staffing Changes

		Annual Cost/ Avg House			
POSITIONS	FTE	Municipalities	Electoral Area East	Electoral Area West	
<u>New</u>					
Parks Operations Coordinator	1.0	\$ 1.13	\$ 1.08	\$ 0.64	
Parks Facilities and Construction Assistant	1.0	\$ 1.05	\$ 1.00	\$ 0.60	
Victim Services Supervisor	1.0	\$ 1.32	\$ 1.26	\$ 0.75	
Engineering Technologist II	1.0	\$ -	\$ -	\$ -	
Waste Ambassadors to Waste Reduction Educator	- 1.0	-\$ 0.98	-\$ 0.82	-\$ 0.30	
	3.0	\$ 2.52	\$ 2.52	\$ 1.69	
<u>Other Changes</u>					
Parks Labourer	1.1	\$ 0.30	\$ 0.29	\$ 0.17	
Parks Interpreter	0.2	\$ 0.17	\$ 0.16	\$ 0.10	
Emergency Management Program Positions	2.1	\$ 3.30	\$ 3.14	\$ 1.87	
	3.4	\$ 3.77	\$ 3.59	\$ 2.14	
	6.4	\$ 6.29	\$ 6.11	\$ 3.83	

Indirect and Support Costs

The Regional District has several functions that support the operations of the organization. The costs of providing these functions are allocated across the various services offered by the RDCO and are included in their respective financial plans. The allocation is done in accordance with Policy BP18-2023 Administration Overhead.

Indirect and Support Costs

Type	2025 ('000s)	2026 ('000's)	Change \$
Risk management & Board support	1,899	2,138	239
Financial services	1,869	1,958	89
Communications	799	943	145
Human resources	797	971	173
Information technology	1,953	2,549	596
Engineering	595	780	185
Total	7,911	9,339	1,428

For 2026, there is an overall increase of \$1.4 million in the financial plans for the administration departments. The primary drivers increasing indirect/support costs are:

- Information Technology (\$470K)
 - To ensure network and other data infrastructure is robust and secure, the draft 2026-2030 Financial Plan includes ongoing investment in IT infrastructure and cyber security.
 - Device expense reallocations (cell phones, laptops, servers). Costs have been consolidated under the Information Technology budget (2026 and beyond), transitioning those expenses from ongoing operational expenses (2025 and earlier).
 - Software licensing costs continue to increase as well as the number of licenses and types of licenses increases as staff continue to expand the use of technology as they carry out their daily duties.
- Inflationary increases (\$390K)
- Renumeration adjustments (\$270K)

Other increases (remaining 4%) are attributable to training, supplies, and reserve transfers.

The impact of the increase in the indirect and support costs for each of the services the Regional District provides, is dependent on the operating expenditures, staffing levels and technology usage for the service.

Projects

Operating projects are used to track the costs of short duration activities such as the multitude of planning projects that are included in workplans. Starting in 2025, for ease of reference and transparency, these costs are shown separately from ongoing operating costs.

Historically, irregular maintenance costs were included in the capital plan and funded from capital reserves (capital expenditures). Beginning in 2026, these maintenance costs are included with operating expenditures as they are operational in nature, (versus an improvement to assets). Where the expenditures are irregular, they are funded from operating reserves to minimize the impact on the annual tax requisition or user fees. This is consistent with how capital projects are funded.

The planned operating projects by department are:

Table 7 - Operating Projects by Department ('000's)

Department	2026	2027	2028	2029	2030
0005 - Human Resources	5	-	-	-	-
1100 - Board	3	35	-	-	3
1200 - Corporate Services	109	80	-	-	-
1220 - Engineering	50	-	6	-	-
1300 - Financial Services	-	4	-	5	-
1400 - Communication and Information Services	75	9	45	10	-
2400 - Fire services and Protection	1,019	300	300	300	300
2920 - Inspection Services	75	75	-	-	-
2940 - Bylaw Services	50	2	-	-	-
4190 - Water	422	264	411	431	238
4200 - Sewer	632	381	67	224	1
4300 - Solid Waste	38	165	150	275	-
6100 - Planning Services	407	301	449	100	155
7100 - Parks Services	502	205	110	125	160
Grand Total	\$ 3,387	\$ 1,821	\$ 1,538	\$ 1,471	\$ 856

Highlights of key operating projects planned for 2026 are provided in Table 10.

Table 10 – Key Operating Projects - 2026

Project	Department	Description	Board Priority	Funding	Cost ('000's)
FireSmart Program	Protective Services	FireSmart program	Emergency Preparedness	Grant	\$400
	Parks			Grant	\$100
Small equipment replacement/renewal	Protective Services	Emergency Social Services equipment		Grant	\$180
		Emergency Operations equipment replacement		Grant	\$180
		Fire departments		Grant	\$120
Studies	Development Services	Regional Employment Lands study	Growth & Development	Reserves	\$100
		Regional Climate Action Plan	Environment & Climate	Grant	\$150
	Protective Services	Hazard risk vulnerability assessment	Emergency Preparedness	Grant	\$125
	Engineering	Liquid Waste Management Plan update	Growth & Development	Reserves	\$250
Asset renewal	Water	Multiple asset maintenance projects	Health & Wellness	Reserves	\$327
	Sewer			Reserves	\$352
	Parks			Reserves	\$225

Transfers to Reserves

Another component of operational expenditures is transfers to reserves. Total planned transfers to reserves have increased by \$0.4 million, (\$10.8 million for 2026 versus \$10.3 million for 2025). \$9.8 million of this is being transferred to capital reserves to fund the future replacement of assets or the acquisition of new assets. Please see Section 5 - Reserves for information on how reserves are funded and used.

Municipal Debt

Municipal debt servicing is the final component of operational expenditures. All long-term capital financing by local governments is provided via the Municipal Finance Authority (MFA). As Municipalities cannot borrow directly from MFA, the RDCO borrows on their behalf. The annual servicing costs for this debt are included in the Plan and all costs are paid for by the municipality that borrowed the funds.

4. CAPITAL PLAN

CAPITAL EXPENDITURES

The capital portion of the Plan advances the Regional Board's Strategic Priorities, addresses infrastructure deficits, and enhances the RDCO parks, protective, water, and solid waste services. Total proposed spending in 2026 is \$15.8 million. This decreased \$8.9 million over 2025. Capital spending is cyclical in nature and this reduction reflects that. The planned spending in 2025 included some larger projects (Central Okanagan Search and Rescue facility (\$6 million), Curbside Food Waste (\$3.6 million) & Parks Land Acquisition projects (\$3.5 million) that are not included in 2026.

The 2026-2030 Capital Plan projects are provided in Appendix D - Capital Plan Expenditures. The funding sources for these projects are provided in Appendix E - Capital Plan Funding.

Capital plans are developed through the service planning and financial planning processes and capture the following factors:

- status of projects already in progress.
- condition of existing assets and infrastructure.
- regulatory, environmental, risk, and health and safety factors.
- new or renewal projects prioritized by the commissions, committees, or local service areas.

The total planned capital expenditure, by department, are:

Table 8 - Capital Plan by Department ('000's)

Department	2026	2027	2028	2029	'2030
1200 - Corporate Services	1,290	879	119	310	400
1220 - Engineering	50	-	102	225	567
1300 - Financial Services	31	31	31	31	-
1400 - Communication and Information Services	136	609	155	163	170
2400 - Fire services and Protection	1,901	2,366	2,440	1,587	2,041
2900 - Policing Liaison Services	66	-	-	-	-
2920 - Inspection Services	67	-	-	-	74
2940 - Bylaw Services	-	-	-	103	105
4190 - Water	803	600	13,670	19,847	900
4200 - Sewer	9,561	5,165	4,474	7,859	14,763
4300 - Solid Waste	422	-	-	-	71
7100 - Parks Services	1,487	2,848	3,250	969	1,844
Grand Total	15,813	12,497	24,241	31,093	20,935

Highlights of key capital projects planned for 2026 are provided in Table 11.

Table 9 – Key Capital Plan Projects - 2026

Department	Project	Description	Board Priority	Funding	Cost ('000's)
Administration Services	Building renovations	HVAC upgrades	Environment & Climate	Grant	\$1,235
Protective Services	Ellison Fire	Firehall expansion	Emergency Preparedness	Reserves	\$530
	Joe Rich Fire	Replacement of the pumper	Emergency Preparedness	Debt	\$400
	North Westside Fire	Station 102 expansion	Emergency Preparedness	Reserves	\$200
Parks Services	Kaloya	Washroom/change room upgrades and repaving	Health & Wellness	Reserves	\$400
Solid Waste Services	Westside Transfer Station	Asquith Road transfer station site improvements	Environment & Climate	Reserves	\$421
Water Services	Westshore	Northwest Regional Water Line project design and right of way acquisition	Environment & Climate	Reserves	\$375
	Killiney Beach				\$175
Wastewater Services	Treatment Plant	Various equipment replacement projects	Environment & Climate	Reserves	\$1,575
		Asset renewal program	Environment & Climate	Reserves	\$2,096

CAPITAL FUNDING

The funding profile for 2026 shows a continuation of the firm reliance on reserves for capital investment reflecting a “save now” versus “pay later” approach. There is a decrease in funding from grants in

2026. There is a planned increase in the use of development cost charges for lift station upgrades on the east trunk of the Westside Regional Wastewater System. Total capital funding for 2026 is shown in Table 10.

Table 10 - Capital Plan Funding Profile

Funding Sources	2025 ('000s)	2026 (000's)	% of Total Funding	Change \$
Reserves	\$ 12,023	\$ 9,169	58%	\$(2,854)
Grants	12,123	1,541	10%	(10,582)
Debt	-	453	3%	453
Development Cost Charges	500	4,650	29%	4,150
TOTAL	\$ 24,646	\$ 15,813	100%	\$(8,833)

Staff continue to seek and secure senior government funding to pay for capital projects. Where feasible, internal capacity is deployed to deliver projects at a reduced cost to external engagements. Prioritization of capital investments is done to enable business transformation and improve operations. See Appendix E - Capital Plan Funding for details on the use of each funding source by project.

5. RESERVES

Reserves are a government's way of saving for future capital activities and one-time or limited duration operating activities. There are 155 reserve accounts for the various services. There are also reserves for Development Cost Charges and future park land purchases for a total of more than 160 individual reserves.

OPERATING RESERVES

A key goal of financial planning is to enable financial stability and position each service area to absorb project and unanticipated costs. To achieve this goal, operating reserves can be used to match the duration of expenditures to the sources of funding. When there is a large, planned operating expenditure in the future, operating reserves are used to fund all or a portion of the expenditure. To ensure sufficient operating reserves for this use, where these types of expenditures exist, contributions to the operating reserve are initiated in the preceding years to appropriately build the reserve.

Operating reserves are also used to fund unplanned expenditures. To assist with the ability to fund these unplanned expenditures, year-end operating surpluses, when available, are transferred to operating reserves. Over time, the goal of this approach is to create a structurally balanced financial plan that facilitates financial sustainability in the Plan and operations.

What is considered a reasonable amount to hold in operating reserves varies from organization to organization. For the Regional District, the goal is between three and six months of operating expenditures, excluding operating projects, transfers to reserves and municipal debt servicing costs. This is between \$11M and \$22M for the Regional District. Currently, the Regional District is just over the lower end of this threshold, though it is prudent to highlight that certain services have significant deficiencies.

A summary of the projected balance for each operating reserve is included in Appendix G – Projected Operating Reserves, which illustrates the health of these reserves. Those in a deficit will be reviewed each year to determine if planned transfers should be established or increased.

The projected operating reserve fund balances are also provided, by service, in Appendix F – Service Summaries.

CAPITAL RESERVES

Capital spending, by its nature, is a limited duration expenditure with each capital project being identified along with its funding sources. The key funding source for most capital projects is reserves. Because of this, regular annual contributions are made into the reserves and then the reserves are drawn from when the funding is needed. This balancing of annual contributions into a reserve against the sporadic withdrawals is how the Regional District aims to achieve stability in tax requisitions.

It is critical to set minimum thresholds for capital reserves. Financial guidelines recommend using the average planned annual spending over the next five years. However, if there is a large capital outlay expected in the future, efforts should be made to build the reserves in the intervening years to be sufficient to fund the identified project.

Based on the Plan, \$9.8 million will be transferred into the various capital reserves, in 2026, and \$9.2 million will be transferred out, which will allow the reserves to grow slightly in 2026. For the remaining four years of the Plan, the transfers into capital reserves are expected to exceed the transfers out for capital projects, allowing the reserves to continue to grow over time. This will improve the RDCO's financial sustainability, which will in turn give the RDCO the ability to fund future capital projects without being reliant on other funding sources.

A summary of the projected balance for each capital reserve is included in Appendices G (Capital & Equipment Reserves Summary).

6. NEXT STEPS

PUBLIC ENGAGEMENT

The Plan is available on the Regional District's website. The public are invited to provide feedback in one of four ways:

1. RDCO's public engagement platform – yoursay.rdco.com
2. Email to finance@rdco.com, subject line "2026-2030 Financial Plan"
3. In person at the Committee of the Whole meeting to be held on February 5, 2026.
4. Mail: 1450 KLO Road, Kelowna, V1W 3Z4.

The deadline for submitting feedback is February 5, 2026. All feedback received will be presented to the Board, with any recommended amendments to the Plan, at the Board meeting to be held on February 19, 2026.

REVIEW AND AMENDMENTS

The timeline for the remaining steps required to adopt the 2026-2030 Five Year Financial Plan Bylaw by the March 31, 2026, deadline is:

Date	Action
February 5, 2026	Opportunity for the public to provide comments on the 2026-2030 Financial Plan.
February 19, 2026	Board review of the public feedback, and any proposed amendments to the draft Plan and approval of the 2026-2030 Financial Plan
March 19, 2026	Board adoption of the 2026-2030 Five Year Financial Plan Bylaw

Considerations:

Organizational/External:

Financial impacts resulting from approval of the 2026 – 2030 Financial Plan in terms of property value taxes, parcel taxes and service contracts will affect all municipal and electoral area funding partners.

Financial:

The report and associated appendices identify the financial impacts of the draft 2026 – 2030 Financial Plan.

Legal/Statutory Authority:

Section 374 of the *Local Government Act* requires that a regional district must adopt, by bylaw, a financial plan by March 31. Division 1 of Part 11 of the *Local Government Act* fully describes the components and requirements of this process.

Alternate Recommendation:

THAT the Regional Board direct staff that the recommended amendments from the January 22, 2026 Regional Board Meeting be incorporated into the 2026-2030 Financial Plan and brought to the Regional Board meeting on February 19, 2026 for approval

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- Attachment(s):
1. Appendix A – Summary by Service – Comparison to Prior Year
 2. Appendix B – Tax Requisition – Comparison to Prior Year
 3. Appendix C – Staffing - 2026
 4. Appendix D – Capital Plan Expenditures
 5. Appendix E – Capital Plan Funding
 6. Appendix F – Service Summaries
 7. Appendix G – Projected Reserves by Service
 8. Draft 2026-2030 Financial Plan – Presentation
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