

ADMINISTRATIVE REPORT TO THE COMMITTEE OF THE WHOLE
ON
2026-2030 PROVISIONAL BUDGET AND 2026-2030 FIVE-YEAR FINANCIAL PLAN

PURPOSE

The purpose of this report is to provide the Committee of the Whole with a summary of the 2026 provisional budget and seek direction on items for consideration that will be reflected in the final 2026 budget and 2026 – 2030 Five Year Financial Plan.

COUNCIL STRATEGIC PLAN

This report supports Council's strategic priorities and areas of focus regarding:

- **Governance and Service Excellence**
 - Asset Management: We plan for the development, improvement, repair, and replacement of our infrastructure.
 - Community Engagement: We promote purposeful, available, and innovative engagement opportunities to ensure a range of voices are heard, thus informing decisions, creating transparency, and cultivating relationships.
 - Fiscal Responsibility: We are accountable to Kamloops residents and businesses in providing effective management, best value, and responsible use of tax dollars.
 - Service Excellence: We promote the continuous development of staff and encourage innovation in process and service delivery.
- **Livability and Sustainability**
 - Climate Action: We practice discipline in our environmental responsibility by enhancing the City's resiliency and capacity for mitigating climate change. We actively implement actions to reduce our environmental impacts.
 - Mobility: We improve accessibility for our citizens by intentionally creating a safe, well-connected city for people of all ages and abilities using various modes of transportation.

SUMMARY

As the City of Kamloops enters the 2026 to 2030 five-year financial planning cycle, there continues to be many pressures being placed on the organization. World economics remain uneasy as conflict continues in the Ukraine. Many countries, including Canada, are currently examining their economic partnership with the United States amid global economic concerns. The federal government is actively seeking expansion into other markets due to the ongoing uncertainty of the relationship with the nation's largest trading partner.

National unemployment is increasing due to a slowdown in hiring, concentrated job losses in trade-exposed sectors like manufacturing, and challenges for new entrants to the job market,

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such as youth and newcomers. Fluctuations in demand, particularly from the U.S., and factors like interest rate increases have dampened overall job growth, although services sectors are seeing some minor improvements.

Closer to home, the unemployment rate in Kamloops is increasing due to an increase in the labour supply which has outpaced job creation, coupled with a local economy highly reliant on retail and natural resources sectors that have recently experienced job losses and volatility. Skilled labour shortages continued construction inflation, and long-lead times continue to put upward pressure on the costs of City operations.

As the City has several large projects underway, we must plan for the amplification of these pressures through this budget process. City revenues have continued to grow in community, culture, and building development services and contribute positively to the overall budget. The City must continue to be diligent in our financial assumptions to ensure we have the nimbleness to react as those revenues fluctuate.

This provisional budget is developed to deliver Council-approved service levels and identifies the associated projected cost changes affecting these services. Many goods and services are still seeing the lingering effects of inflation, high interest, and scarcity putting cost pressures on delivering projects and services.

A summary of the 2026 budget is shown in Table 1: Summary of Impacts on Provisional Budget provides a starting point for Council, the public and administration discussion on what are the broader organizational and community priorities, where additional investment in support of city services needs to focus and where a reduction or elimination of city activities could occur.

Table 1: Summary of Impacts on Provisional Budget

Economic Impacts on Municipal Tax Funding			
Item	Financial Impact	% of Taxation Based Funding	Impact on Average House
2025 Taxation Funding - Budget (\$162,077,882)			
Summary of Prior Council Approved Initiatives	\$7,350,000	4.53%	\$130.65
Contracted/Economic Impacts	10,296,101	6.35%	183.02
Impact on Operations	499,322	0.32%	8.88
Subtotal	\$18,171,479	11.2%	\$322.55
Impact on Revenues	39,861	0.02%	0.71
Estimated Growth	(750,000)	(0.46%)	(13.33)
Provisional Impact on Property Taxation Funding	\$17,461,340	10.76%	\$309.93

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RECOMMENDATION:

That the Committee of the Whole provide direction to administration on proposed actions to undertake to reduce the General Fund proposed budget.

SUPPORTING COUNCIL AND CORPORATE DIRECTION

July 10, 2025, Economic Health Select Committee Report – 2026 Budget Planning
October 7, 2025, Council Report – 2026 Utility Rate Review and Bylaw Updates

DISCUSSION**2026 Initial Budget Review**

In June of each year, Administration begins the budget process by:

- reviewing the current year's budget,
- identifying changes that have occurred in the overall operating environment through ongoing environmental scanning,
- identifying opportunities to introduce efficiencies that could help to reduce costs including reducing the need for staff level expansion to maintain existing service delivery; and,
- identifying the impacts of initiatives presented and approved by Council.

For the 2025 financial year, the total funding from property taxation was \$162 million. Therefore, a 1.0% change in the 2026 budget period will increase taxation revenue \$1.62 million. The average assessed residential property value in Kamloops was \$656,202, with a municipal property tax rate of \$2,880.73. The taxation rate for the average residential property is now at \$28.80 per percentage point providing that individual properties assessed values remain in alignment with the average, if their assessments increase higher than average, property owners should expect to pay more and correspondingly if assessed value changes lower than average, they should expect to pay less.

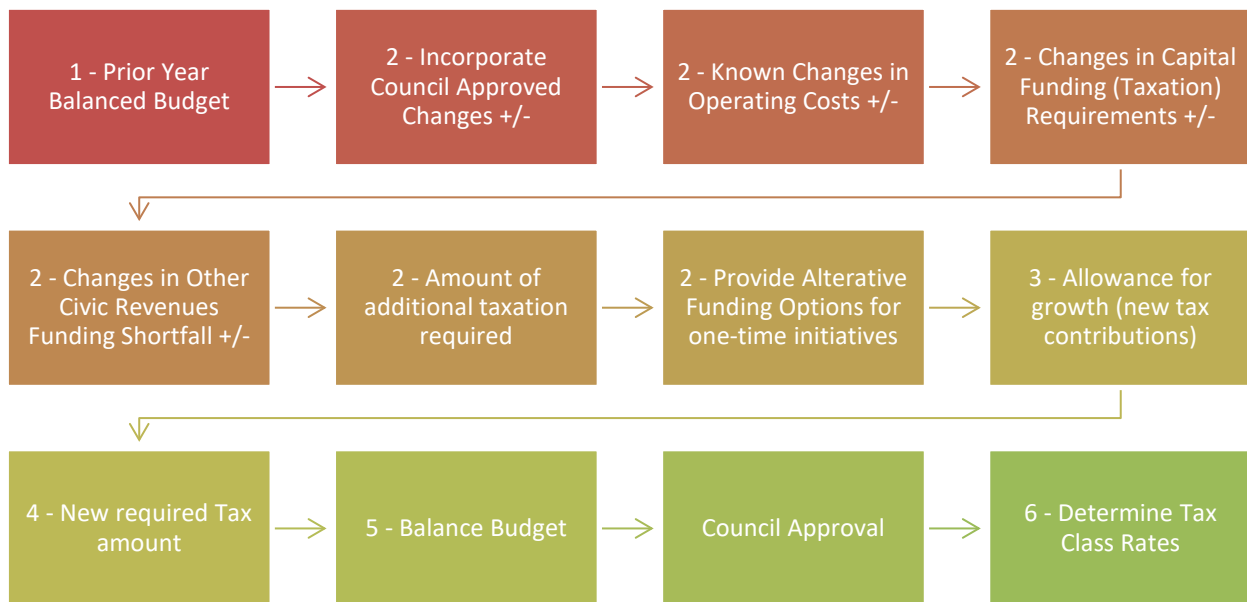
As of 2025 there are 1,996 properties in Business (Class 6) valued at \$5,684,727,702 (gross) for an average assessed value of \$2,848,070 and they paid an average of \$21,271 in municipal property taxes. This would provide for a 1.0% taxation change to be near \$2,127.

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The following chart outlines the process for determining the City's level of required taxation.

Chart 1: Budget Development Flowchart



The starting point of the annual budget is to review prior year assumptions as outlined in the budget against the approved service levels. Staff consider many factors including objectives and initiatives directed by Council, growth in the city, increases in the number of parks and facilities to maintain, more properties to issue and collect invoices from, and changes in operational compliance requirements as set by both the provincial and federal governments. All these impacts are considered through the development of the budget. It is necessary to note that the City has little oversight and control over the delivery of specific services such as policing and transit other than setting a service level expectation with the related service provider and then receiving a bill presented through the course of the year.

In other aspects of the organization, negotiated contracts between unionized employees and third-party contractors do offer a degree of flexibility. In most instances these rates are based on the broader operating market and are the same as many other municipalities across the province.

Administration then takes a purposeful review to assess the effectiveness of staffing levels and the need for related materials and supplies to support the delivery of the service of the organization. Each group reviews their costs and seeks to project what will be required over the next year. This prediction looks to understand where the overall global economic environment is headed. Within the budget process there is an allowance to incorporate true unknowns, global

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conflicts, changes in currency valuation, and even global pandemics that will directly affect city operations at a larger scale than residents may experience.

Property Taxation Based Funds (The General Fund)

It is important to note the relationship between the various financial funds in the organization when developing the financial plan. These funds work both independently and interdependently in a manner that reduces redundant or duplicate activities in the City's operating structure.

Under accounting requirements, water levies collected are required to only support and maintain city-related water operations and infrastructure, sewer levies are required to only support and maintain sewer operations and infrastructure, and solid waste and recycling levies are required to only support solid waste and recycling operations and infrastructure.

For example: funds collected through water utilities cannot be used to pay for work on the Sandman Centre Arena Roof as this is not a water service asset.

This example identifies the independence of the funds, however in looking at the Solid Waste and Recycling Operations (Solid Waste), the vehicles used to perform collection services are maintained by the Fleet Services Team who look after all City vehicles, and the costs associated with repairing and maintaining the Solid Waste equipment are tracked specifically and transferred to the Solid Waste Fund to be a reflection of the cost to deliver these services.

Utility Services are similarly supported by several City Department that provide internal services to the entire organization such as Employee Services which provides human resources and safety services, Corporate Services which provides billing support, accounts payable, and information technologies among other services. Having these services provided through the general fund eliminates redundancies, provides efficiencies, and reduces costs.

The general fund contains many services that are funded by property taxation along with other revenues sources as identified in Chart 2: Services by Funding Source.

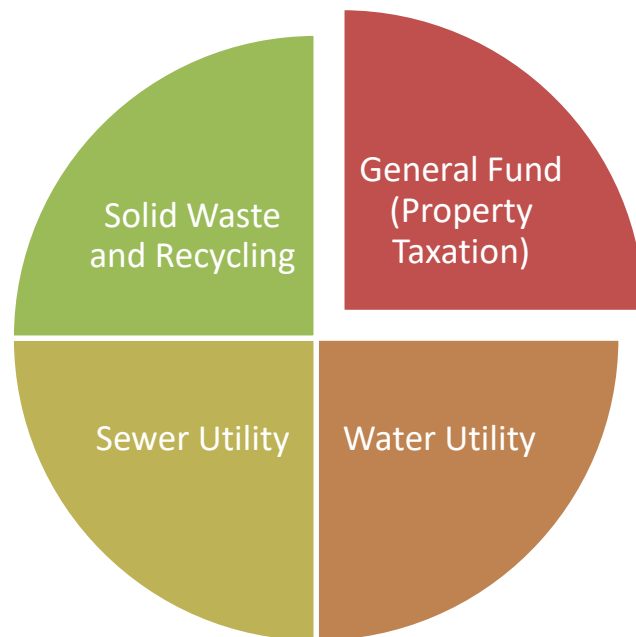
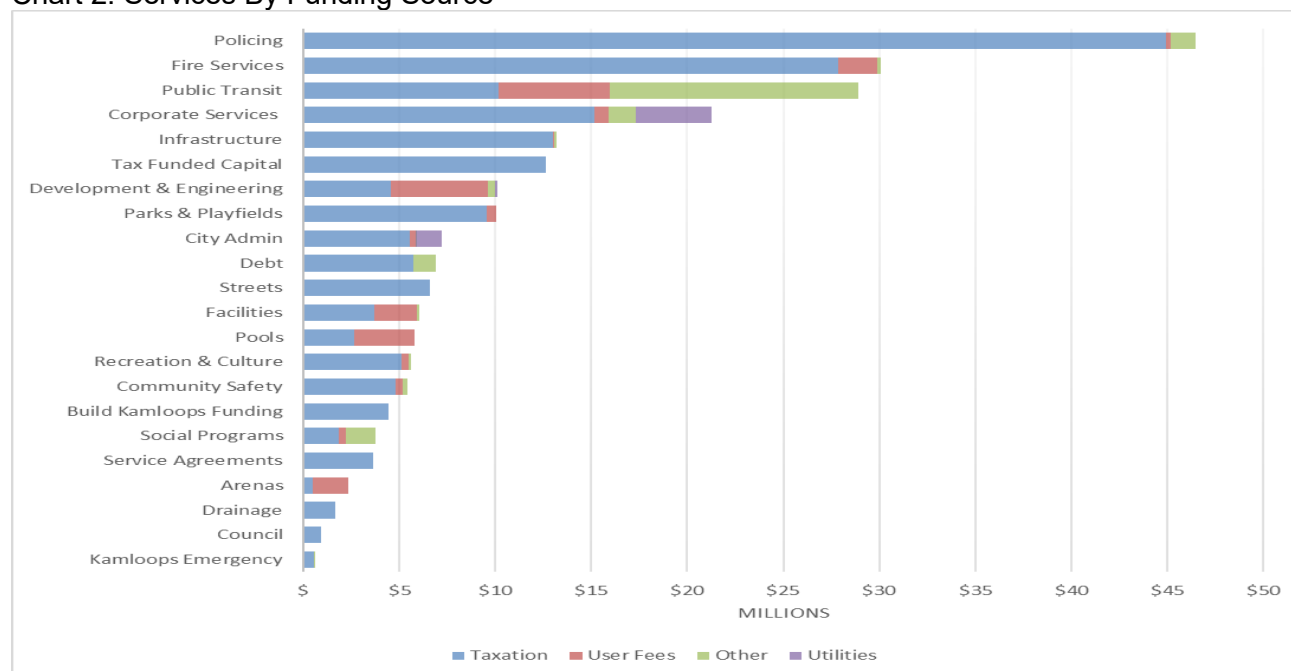


Chart 2: Services By Funding Source



To better understand some of the not so obvious services contained in the general fund, a brief description is provided further in this report. A more fulsome description of these groups is provided in the published City of Kamloops Financial Plan, that is required to be available to members of the public and is located on the City website.

Establishing Future Projections

To estimate where the corporation is heading beyond the current financial year, Administration looks forward based on known information such as Council approved business cases, activities identified in approved Council directives, approved bylaws (impacting the need to do more) and settled labour contract terms.

The future estimation of unknowns is more challenging. Administration looks at past trends and broader economic forecasts including from the Bank of Canada, Statistics Canada, and other government and non-government agencies to predict the future. This prediction looks to understand where the overall global economic environment is headed, however the same unknowns as identified previously still exist.

A concerning level of global uncertainty is expected to continue into and beyond 2026. Many of the goods and services that the City requires to deliver on a broad range of services are subject to price volatility due to political uncertainty, supply chain particulars, both good and bad, and the increasing impacts of climate change.

As an organization that operates many facilities across the city, increases in either natural gas or hydro electrical consumption (colder than expected winter and hotter summers) or increased unit costs can result in a hundred thousand dollar plus addition to the budget. Fleet assets for

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the City are valued at over \$50 million in purchase costs, gas and diesel consumption top over 1,100,000 litres annually providing support to a city of near 300 M² in geographic size.

In other aspects of the organization, negotiated contracts between unionized employees and third-party contractors do offer a degree of flexibility, in most instances these rates are based on the broader operating market and are the same as many other municipalities across the province.

The following table shows the projected budget increases for 2025 through 2029, based on values known earlier this year upon completion of the 2025 – 2029 Five Year Financial Plan. Over the course of the year, many of the assumptions that were used are subject to change, however this helps to establish the starting point for the development of the 2026 – 2030 Five Year Financial Plan.

Table 2: Summary of Projected Tax Rate Changes

	2025	2026	2027	2028	2029	2030
Estimated Tax Rate (2025 bylaw)	7.42%	6.72%	7.15%	6.45%	4.75%	<i>TBD</i>
Estimated Average Assessed Property Taxation Change	\$185.50	\$168.00	\$178.75	\$161.25	\$118.75	<i>TBD</i>

The 2025-2029 Five-Year Financial Plan showed a 6.72% taxation increase for 2026, presented in Table 3: 2026 Forecast within the 2025-2029 Five-Year Financial Plan.

2025-2029 Financial Plan Taxation Change			
Item	Financial Impact	% of Taxation Based Funding	Impact on Average House
Costs to Operate			
Wages	3,054,000	1.88%	54.29
RCMP	1,037,000	0.64%	18.43
Transit	1,001,000	0.62%	17.79
External Contractual/Consulting/Materials	725,000	0.45%	12.89
Subtotal	5,817,000	3.59%	103.40
Changes to Operating			
RCMP - New	1,445,000	0.89%	25.69
Transit - Expansion	400,000	0.25%	7.11
Carbon Tax Removal	- 440,000	-0.27%	- 7.82
Station 6 Staff	1,370,000	0.85%	24.35
Corporate Security	250,000	0.15%	4.44
Subtotal	3,025,000	1.87%	53.77
Funding Programs			
Build Kamloops	1,620,000	1.00%	28.80
Asset Management	810,000	0.50%	14.40
Community Climate Action Plan	567,000	0.35%	10.08
Service Agreements	162,000	0.10%	2.88
Drainage Capital	1,130,000	0.70%	20.09
Boulevard Street Scapes	100,000	0.06%	1.78
RCMP Debt Funding	1,800,000	1.11%	32.00
Subtotal	6,189,000	3.82%	110.01
Revenue			
Development and Engineering Fee Increases	- 1,421,840	-0.88%	- 25.27
Recreation	- 161,430	-0.10%	- 2.87
Interest	- 750,000	-0.46%	- 13.33
Subtotal	- 2,333,270	-1.44%	- 41.47
Growth	- 1,799,064	-1.11%	- 31.98
Total	10,898,666	6.72%	193.73

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The 2026 projection was completed in April of 2025, and the organization has already encountered considerable cost changes since that time, many out of the organizations control.

There have been changes in several areas that have resulted in updates to the numbers presented in April 2025. The table below shows a summary of those changes followed by detailed explanations. This report will move into a greater level of analysis on many of these changes.

Table 4: Change from 2025-2029 Five Year Plan

Change from 2025-2029 Five Year Plan				
Item	Financial Impact	% of Taxation Based Funding	Impact on Average House	
2025-2029 Five Year Financial Plan	10,898,666	6.72%	193.73	
Costs to Operate				
Wages	1,576,000	0.97%	28.01	
RCMP	1,297,000	0.80%	23.05	
Transit	1,069,000	0.66%	19.00	
External Contractual/Consulting/Materials	- 184,000	-0.11%	-	3.27
System Support	988,000	0.61%	17.56	
Wage Capitalization	- 941,000	-0.58%	-	16.73
Subtotal	3,805,000	2.35%	67.64	
Changes to Operating				
RCMP - New	45,000	0.03%	0.80	
Transit - Expansion	144,000	0.09%	2.56	
Fire - Contractual changes	1,422,000	0.88%	25.28	
Subtotal	1,611,000	0.99%	28.64	
Funding Programs				
RCMP Debt Funding	- 1,800,000	-1.11%	-	32.00
Subtotal -	1,800,000	-1.11%	-	32.00
Revenue				
Development and Engineering Fee Increases	1,286,840	0.79%	22.87	
Telus/Fortis/Rogers Revenue Decrease	113,000	0.07%	2.01	
Pipeline Assessment Reduction	650,000	0.40%	11.55	
Subtotal	2,049,840	1.26%	36.44	
Growth	870,779	0.54%	15.48	
Total	17,435,284	10.76%	309.92	

Costs to Operate

Wages

Both the Canadian Union of Public Employees (CUPE) and the International Association of Fire Fighters (IAFF) union contracts with the City of Kamloops are set to expire December 31, 2025.

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Contract negotiations are beginning; however, as with past practise, the corporation does not negotiate these contracts in public and there is not a determined completion timeframe known.

For the 2026-2030 financial plan, Administration has used the best currently available wage and benefits information. As contract negotiations are difficult to predict, staff have analyzed current market trends and built in conservative estimates to ensure the budget will cover the wage adjustment.

Kamloops Fire Rescue Staffing Changes

During the 2025 budget process, Council approved the transition of Station 6 in Dallas from a paid on-call to a fully staffed station. A fully staffed, professional engine company requires 20 firefighter positions to provide four members on-duty 24 hours per day, plus backfill for leaves.

The introduction of this increased service level was approved and the costs associated with this service level change will be incorporated into both the 2026 and 2027 budget years with the addition of 10 new firefighter full-time equivalents per year. The cost of these 10 new positions is \$1.37 million for 2026.

Kamloops Fire Rescue experienced a 38% increase in call volume between 2021 and 2024, with 2025 on-track to match 2024 levels. This increased call volume along with staffing requirements related to the proposed changes to Next Generation 911 services, resulted in the need to add two relief communications operators in the Kamloops Fire Rescue Dispatch. The cost for one of these positions is expected to be largely offset by savings in overtime callback and relief costs. These roles will also reduce stress and burn-out for existing Kamloops Fire Rescue Dispatch staff. The net budget impact for these two positions is \$110,000.

Capacity constraints due to rising call volume, and increased system complexity led to the need to convert the four Platoon Captain's positions into Platoon Chief's for 2026. These roles will continue to have union supervisory responsibilities over each platoon but will no longer be tied to Engine 1. They will respond as a solo unit, when required, but otherwise will have more time and capacity for administrative duties and oversight of the platoon. Linked to this conversion is the need to add four Captain positions to Station 1 to fill the lead officer role on Engine 1. The budget impact for this operational change is \$892,000 for 2026.

Capitalization of Labour and Associated Capital Costs

During the 2026 budget cycle, financial staff undertook a review of current accounting practices related to the capitalization of labour and other associated capital costs. Through this review it was identified that the practice was inconsistent across the organization resulting in a degree of varying results.

The result of the review is that the budget for project administration and management positions directly related to capital projects are to be transferred from the operating budget to capital projects, as provided for under Public Sector Accounting Standards (PSAS). This change has resulted in a reduction to operating budgets by nearly \$1.0 million. This change is due to the

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capturing of costs for positions previously recorded as operating, as well as applying an overhead charge to positions in departments whose work is 100% capital in nature.

The finance team has implemented these changes effective 2025 and is addressing policy changes to outline procedures to provide for a consistent understanding across many departments of the organization including, the Capital Delivery Team, Engineering, Transportation and in limited circumstances Parks Planning.

External Contractual/Consulting/Materials

Policing Services

In 2025, Council approved splitting the taxation impact of the previously approved five additional RCMP members over the 2025 and 2026 taxation years to account for the arrival of these members in the later half of the year. This resulted in \$750,000 being deferred from 2025 into 2026, along with \$321,000 for three additional municipal support employees.

For 2026, an additional five RCMP members have been identified to be added under the same financial funding model, 50% would be added in 2026 with the balance in 2027. Once these additional five are added this will bring the budgeted roadable members up to 148 members.

Table 5: Average Costs Per Roadable RCMP Member

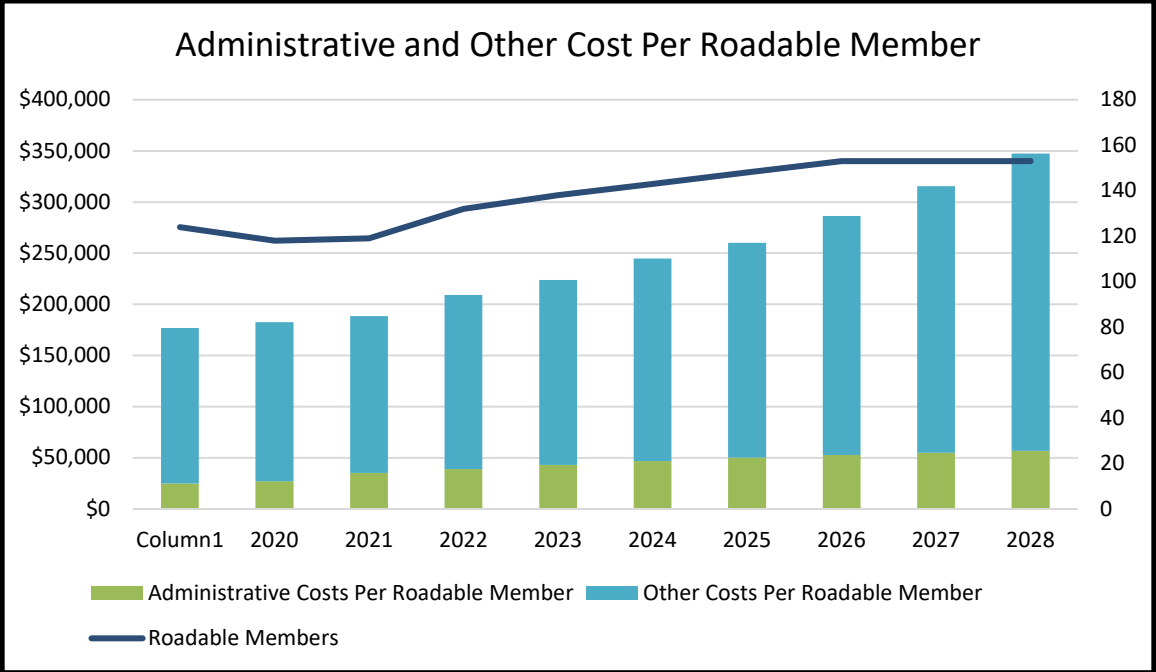
	2023	2024	2025	2026 Projection	2026 Actual	2027 Budget
Roadable Members	132	138	143	148	148	153
% Change	10.92%	4.55%	3.62%	3.50%	3.50%	3.38%
Cost/Member	\$213,000	\$227,700	\$244,800	\$255,000	\$264,000	\$290,400
% Change	10.59%	6.90%	7.51%	4.17%	7.84%	10.00%

The cost per roadable member for 2026 is \$264,000 an increase of 7.84% or \$19,200 per member over 2025. The contract cost increases are attributable to higher divisional administration allocated costs, planned hardware and protective equipment replacement, a 3.5% provision for the National Police Federation contract, and body worn camera expenses. This change in contract rates equates to an increase of \$2,746,000 for the current 143 roadable members and requires \$1,320,000 for the five new members in 2026.

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Table 6: Administrative and Other Cost Per Roadable Member



Three additional municipal employees will also be added for 2026 to provide support to the new RCMP contingent. The budgeted cost for these three FTEs is \$321,000. Half of the budget (\$821,000) for the new members and municipal employees can be deferred into 2027.

Transit Services

BC Transit is a third-party provider to the City and provides a three-year forecast for use in our budget cycle. There has been a change in the budget for transit relative to the three-year forecast provided in 2024 and the one provided in 2025 with significant revenue, debt, and administrative implications.

Within the provided cost projections, there has been an increase due to inflation, a change in wage rates, and an increase in fuel costs, however the biggest adjustment is in the revenue line items. The budget that BC Transit provides has continued to be inflated in the projected revenues. This budget applied a focused lens on the actual and expected trends across this service resulting in more than a \$1 million decrease in revenue compared to the 2025 budget.

Significant changes by the federal government to Immigration, Refugees, and Citizenship Canada (IRCC) policies—specifically, restrictions on study permits and spousal work permits for temporary residents—are expected to have a notable impact on overall transit operations. A considerable drop in Thompson Rivers University enrollment has a significant impact on U-Pass revenue which is not expected to return to 2025 levels for many years.

Legal

Legal costs have increased across the city due to the introduction of the Council Code of Conduct and the recent public challenge of the alternative approval process. Legal costs are not necessarily consistent year over year, but there is still a high potential for the same type of costs in 2026.

Professional Consulting

Administration set direction for staff to introduce a planned reduction related to the use of professional consulting engagements for the 2026 budget. While use of these forms of complementary expertise is needed, the reduction provides for an increase level of focus on corporate priorities. The provisional 2026 budget reflects this direction with a positive change related to consulting. Staff recognized the many cost pressures on this year's budget and identified areas and initiatives that could have a reduction in their consulting needs for 2026. The result was a 17% reduction or approximately \$540,000.

External Contractual

A similar lens was applied to external contractual with an eye for where reductions could be made or where increases could be limited. This focused work produced a \$23,000 increase or 0.2% of an increase over the 2025 budget. Partially offsetting this increase is a \$240,000 reduction in the contract security budget, as Community Services continues the transition towards internal corporate security approved as part of the 2025 supplementary budget process.

Supplies

Materials and supplies were examined with an effort to reduce the inflationary impacts. Fleet material costs were difficult to control and added \$250,000 to the budget while fire equipment added \$127,000 to the budget, largely related to the Station 6 transition. These two items made up 41% of the \$906,000 increase. Note that for fleet, a reduction in external contractual is possible due to a fully staffed shop that will spend more on materials and supplies to complete repairs in house.

System Support

Technology is increasingly embedded across all areas of the City, driving innovative solutions for both internal and external clients. Core systems that support daily operations continue to evolve as new opportunities for technological advancement and integration emerge.

Anticipated changes for the new year include funding for ePermit software, transitioning the recently implemented Human Resources Information System (HRIS) from capital to operating, strengthening our cybersecurity posture through improved resiliency, threat and phishing prevention tools, and additional investment in AI and automation software.

The introduction of these tools will strengthen the City's ability to leverage technology efficiently and enhance public engagement. Priorities for the coming year include implementing ePermit

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capabilities to streamline processes for the development and construction sectors, increasing awareness of electronic payment and invoice distribution options, and advancing AI and automation solutions to help respond to public inquiries and reduce staff workloads.

Funding Strategies

Build Kamloops

In 2024, Council approved a financing plan related to the Build Kamloops initiative. This funding strategy incorporated a proactive taxation increase of 1.0% per year for a period of five years. 2026 will be the third year of this additional 1.0% of taxation, which will be used to administer the related debt servicing costs associated with this program. This 1.0% increase will cease to be added to proposed taxation increases after the conclusion of the 2028 financial year.

Police Services Building Proposed Debt Funding

During 2025 budget deliberations, Council approved moving the Police Services Building project forward which included a proposed \$150 million of debt funding. The debt servicing cost for this project was incorporated into the 2026 – 2030 budget years to align with the timeframe when the funds would be needed based on an assumption that construction of this project would commence late 2025 and continue into 2026. However, the City was unable to initiate the process of obtaining public approval for borrowing due to labour action by the Canadian Union of Postal Workers (CUPW) preventing vote-by-mail options.

For budgeting purposes, Administration has shifted the debt servicing costs to start in 2027 and will adjust the impact for future years once public approval is secured and costs to build have been reviewed and updated.

Revenue Assumptions

City revenues are not only based on taxation in the General Fund. Other revenue streams support the organization or are designed for costs recovery depending on the financial objectives of the activity.

Some services contained in the general fund are operations that are treated as self-funding operations. These include On-Street Parking, Off-Street Parking and Cemetery Services. For each of these areas, the revenues generated stay within the services area expected to cover the associated costs that are required to deliver these services to the various public users.

These operations are expected to run in a surplus position with ongoing reviews and rate increases required to sustain the service. Surplus funds are not used to reduce taxation impacts, rather these remaining funds are available to support various initiatives in each of these areas including, asset management activities, upgrades and improvements, and future new capital assets.

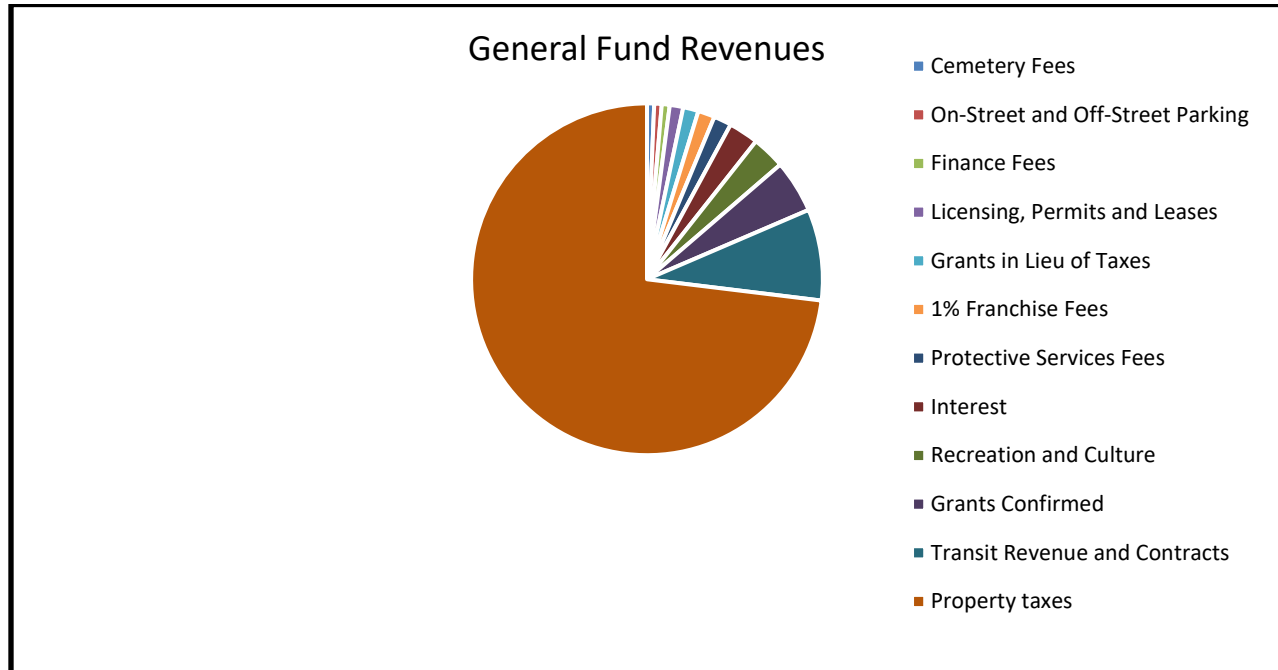
Other specific fees that are designed as a cost recovery activity include Business Licences. Business Licences are expected to offset the corporation's costs associated with required

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management of businesses including business inspections, issuing permits, and operational enforcement. These fees are based on forecasted estimates in costs and number of licences to be issued. If there is a surplus or deficiency, taxation funding is used to either contribute to a surplus or balance the operation.

CHART 3: General Fund Revenues



Development and Engineering Fee Increases

In the January 21, 2025, Committee of the Whole budget report staff brought proposed development and engineering fee changes. These included planning, transportation, building permits, subdivision and business license fees. The overall impact of the proposed fees is a \$1.4 million increase in revenue for the 2026 budget. A secondary review of the proposed rates resulted in these various fees being reduced in the budget to support developers affected by the same external economic realities affecting the City; broad economic uncertainty, the ongoing threat of tariffs, reduced immigration levels, and an overall softening of the real estate market.

The construction value that permit values are based on are for projects that are anticipated to start in 2026. Other related planning, transportation, and subdivision fees were budgeted as anticipated.

The bylaw for fees and charges had a significantly lower rate for business licenses than was anticipated in the 2025 budget. These rates continue to keep Kamloops below our peer municipalities. Administration is developing a comprehensive analysis that places the City's business licences into a cost neutral position and identifies costs and services that support management of the business licence program. Business licence rates will be reviewed in early

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2026 with communications and roll out of new rates expected to be introduced for the 2027 financial period.

One Percent, Grant in Lieu Revenues Decrease

Part of the City's revenue comes from a one-percent-of-revenue payment from the utilities that earn revenue within the city boundaries. This one percent, grant-in-lieu of taxes, is legislated. These monies are a specific levy on the utility company's gross operating revenues within the municipal boundaries. Utility companies, primarily Fortis, Rogers, and Telus report this information in the fall, and each have reported a decrease in the revenue they earned in comparison to last year that has resulted in a \$113,000, or a 0.07%, reduction in municipal revenue.

Other Utilities also provide a grant-in-lieu that is calculated under different methods, some align their figure based on property taxation assumptions. This updated information is provided in the New Year due to the timing of their respective fiscal calendars. For the 2026 budget, they are incorporated based on their 2025 contribution.

Pipeline Assessment Reduction

BC Assessment has developed a new cost model for pipelines, set for implementation effective 2026, that will significantly reduce their assessed value across the province. This will lead to substantial tax revenue losses for local governments which will have few options other than to shift the tax burden to homeowners.

This change, a result of long-standing negotiations with pipeline companies, has drawn strong criticism from affected municipalities who fear a dramatic impact on their budgets and residents. This revised cost model is expected to result in a reduction of tax revenue for the City of Kamloops, based currently on the 2025 assessment values in the amount of \$650,000 based on the current \$40.00 million valuation rate.

Market Growth

The City has been in a period of considerable growth over the past few years. Due to this growth, the corresponding increase in population created strains that are being felt across the city. During the evaluation of property assessments, BC Assessment determines the broader impact of introducing new properties across the community. As part of its estimation, the City takes a conservative approach to expected growth by recognizing 1.0% of the taxation funding as a contribution of new taxation for new developments.

For the initial 2026 budget projection, 1.1% growth was incorporated into the forecast, however over the course of the past year there has been a marked slowdown in the general construction and housing market resulting in a reduced property assessment valuation and, by default, reduced taxation growth.

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For the purpose of working through the 2026 provisional budget, the assumption on growth has been reduced to 0.46% or \$750,000.

Summary of Budget by Department

Overall Department Changes

Many of the service groups identified are well understood by the public, including Kamloops Fire and Rescue and Policing Services, others such Corporate Services and Infrastructure are not as clear. To add an additional level of transparency, the 2026 budget changes in this report will be summarized in two formats.

The information will be presented based on each division and overall portions size of the organizations. Of note: there are self-funding operations contained within the general fund which operate like utilities. For example, parking and cemetery services are not supported by taxation funds and are expected to generate sufficient revenues to cover the operating costs and planned capital investments. These types of services will be presented further in this report.

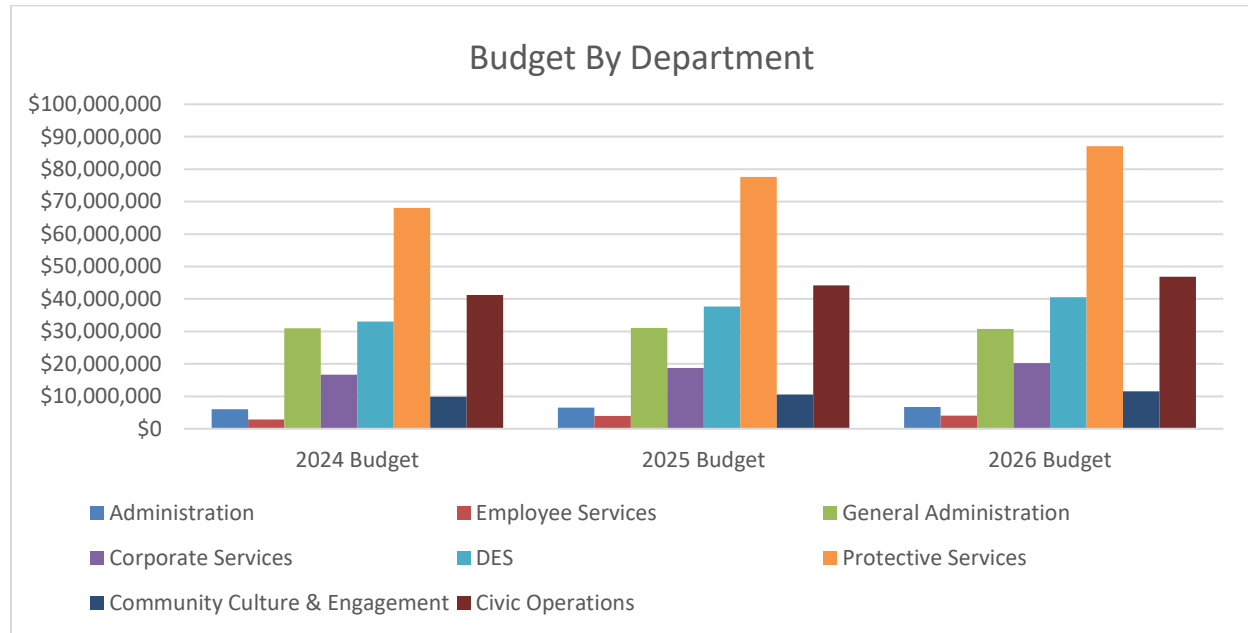
Table 7: Change in Budget 2025 - 2026

Department	2025	2026	Change in Department	Taxation Change Impact	\$ Impact on Average Resident Tax
Administration (and Council)	\$6,472,274	\$6,689,054	3.3%	0.13%	\$3.85
Employee Services	3,996,304	4,059,615	1.6%	0.04%	\$1.12
Corporate Services	18,720,019	20,228,559	8.1%	0.93%	\$26.81
Development, Engineering and Sustainability	37,631,422	40,507,766	7.6%	1.77%	\$51.02
Protective Services	77,570,159	87,037,667	12.2%	5.84%	\$168.23
Community Culture and Engagement	10,542,145	11,515,558	9.2%	0.60%	\$17.30
Civic Operations	44,233,786	46,884,635	6.0%	1.64%	\$47.1
General Administration					
Build Kamloops Funding	2,840,000	4,460,000	57.0%	1.00%	\$28.80
Taxation Funded Capital	12,620,000	12,620,000	0%	0%	
Asset Management Reserve Funding	3,190,000	4,000,000	25.4%	0.50%	\$ 14.40
Debt Servicing	7,219,000	7,219,000	0%	0%	
Transfers to Reserves (Interest)	840,900	840,900	0%	0%	

Chart 4: Budget By Department 2024 - 2026

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Protective Services

The Protective Services Department serves to enforce laws, legislation, and bylaws and ensure all Kamloops residents feel safe so they can thrive and be prepared in the event of an emergency. Budgets are organized into four main divisions: Community Services, including both On- and Off-Street Parking, Kamloops Fire Rescue, RCMP Support Services, Emergency Management and Protective Services Administration.

Also included within this department is the contract costs associated with the RCMP to provide policing services within the municipal boundaries.

Protective Services budget increases are largely tied to salary expenses, and contractual costs. On top of a provision for potential collective agreement increases, wage increases are driven by the Kamloops Fire Rescue Station 6 transition, operational changes to the Dispatch and Suppression staffing, Community Services Security, and municipal RCMP support.

Contractual costs are directly attributable to the RCMP contract increases and 50% of the 2026 five new members, as well as contractual growth in primary emergency 911 Dispatch Services and Next Generation 911 related costs. Cost increases are also being realized with the addition of the Corporate Security Services initiative that was approved by council in 2025.

Civic Operations

The Civic Operations Department works to provide Kamloops residents with the core services they need to work and play in our city. These services keep the City's infrastructure and amenities safe and functional. The budget is organized into four main divisions: Utility and Environmental Services, Public Works including facilities, streets, parks, various trades, fleet

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services and playgrounds, Infrastructure Delivery, which captures capital delivery activities, and Integrated Asset Services focusing on asset management planning and capital prioritization.

Contained within the Civic Operations team general fund activities are the costs associated with overall operations and maintenance of city infrastructure including streets, drainage, fleet, electrical for all the city streetlights, all civic facilities including parks, playgrounds, arenas and pools.

Development, Engineering, and Sustainability

The Development, Engineering, and Sustainability Department provides external services to the development community and to other City departments in the areas of planning, building inspection, engineering, real estate, and sustainability. The budget breakdown is made up of six core divisions: Building and Engineering Development, Planning and Development, Climate and Sustainability, Engineering, Transportation, and Real Estate.

Revenues generated by this department are directly related to the costs of the services provided. DES carries the costs associated with the community transit services where there is variability in the revenues generated through user fees (transit fares).

Corporate Services

The Corporate Services Department provides services, primarily to internal departments and divisions, with few touchpoints in the community. Corporate Services is accountable for the City's financial, legislative, risk management, and information technology, and aims to support the organization as strategic business partners. Work is budgeted under six main divisions: Financial Services, Financial Planning and Procurement, Enterprise Risk Management, Information Technology, Business Operations, and Legislative Services.

The major driver in the increase in costs is reflective of the ongoing changes in the technology environment. Historically, software was based on an annual user fee, in today's environment Software as a Services (SAAS) relies on an annual subscription model per user. Annually these fees are reviewed to reconcile actual users to number of subscriptions.

Community and Culture

The Community and Culture Department helps create, facilitate, and support a diversity of quality-of-life opportunities for Kamloops residents through a wide range of inclusive programs and services. The financial layout for the department is organized into four main divisions: Sport, Recreation and Wellness; Cultural Services and Events; Social and Community Development; and Communications and Community Engagement.

The Community and Culture budget is reflective of the Council approved 2.5% increase to some user fees for 2026. Budgeted cost increases are reflective of the approved transition of Outreach and Clean Team costs from the Gaming Reserve to taxation, additional federally funded social Reaching Home programming and general cost increases in line with inflation.

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Employee Services

Employee Services (previously the Human Resources and Safety Department) works to manage the employee lifecycle, from recruiting and hiring to training, payroll, and benefits administration. The financial framework for this department is organized into three main divisions: Human Resources, Occupational Health and Safety, and Payroll and Benefits.

Administration and Council

Administration and City Council are combined into the Administration category. Administration's main goals are to support City Council in the delivery of the approved Council Strategic Plan while managing the City's infrastructure in a cost-effective and safe manner. Core to this department is identification, approval, and implementation of various service levels and service delivery for our citizens.

Included within this department are the budget components of City Council activities, Council approved Funding (Service) Agreements, the office of the CAO, the External Relations Division, aspects of City Hall reception, print production, and courier services.

General Administration

This subset of activities is used to collect various forms of initiatives where multiple departments or divisions are responsible for these items. In these situations, the finance department administers this department as it is reflective of various items such as collection and distribution of Other Taxes collected (TNRD, BCAA, etc.), collections of monies and distribution to specific reserves (Gaming, Asset Management Reserve), and debt funding activities.

Financial Capital Planning***Capital Prioritization Process***

The capital plan is a consolidated product of various capital infrastructure investments including, asset management, introduction of new capital initiatives, and capital projects designed to support and facilitate growth in the city.

Funding for the capital plan originates from many sources, including, but not limited to:

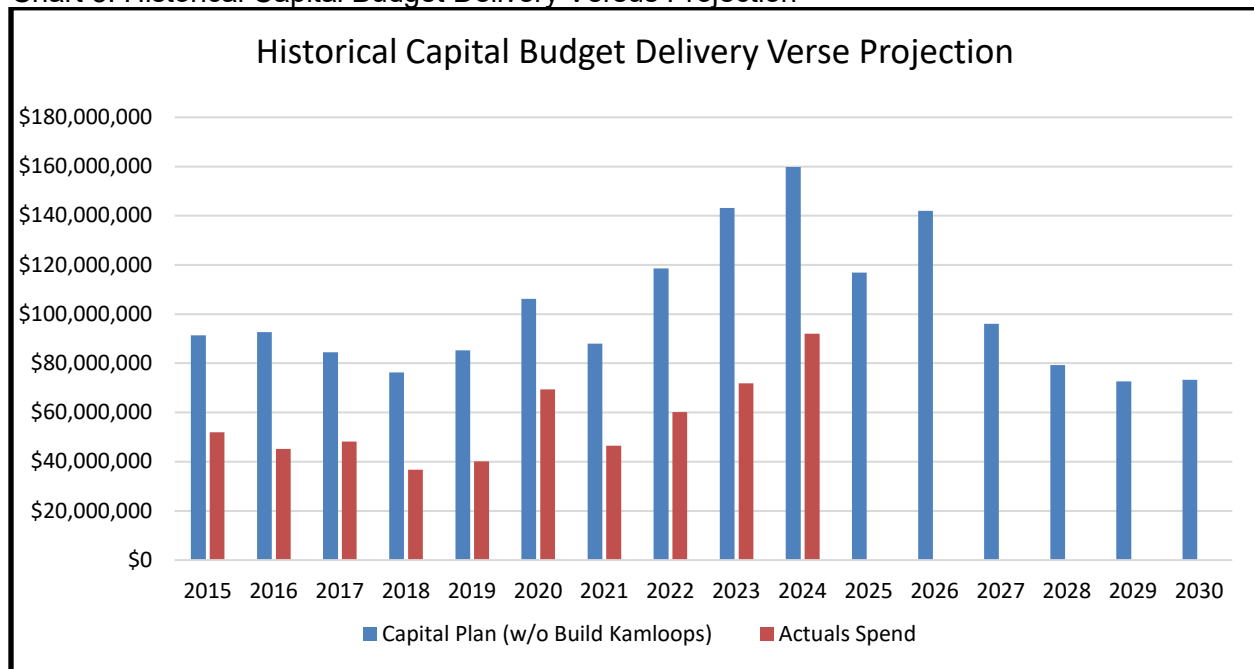
- development cost charges,
- water and sewer levies
- garbage and recycling services fees,
- routine and ongoing grants, like the Gaming Fund and Canada Community Building Fund – Community Works Fund
- other grants
- debt and
- taxation.

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Over the past several years, City funded taxation has remained relatively flat as the capital budget increased due to available funding from other means. In addition, delivery of the capital plan has become challenging due to inflation, supply chain issues, and overall global economic challenges.

Chart 5: Historical Capital Budget Delivery Versus Projection



As noted in the Chart 5: Historical Capital Budget Delivery Versus Projection above, the capital plan that is in place often changes due to various situations including the introduction of new or different priorities, supply chain issues, capacity, changes in planned development, climate conditions, or incomplete plan or design due to changing requirements.

As a result, projects are pushed out to future years, and the funding is carried-forward with the project. Adding to some of the challenge is when funding is approved at the program level as opposed to a project basis.

For example: Streets Funding is allocated as Arterial, Collector, and Local Roads to a set amounts for each opposed to funding for Streets that introduces a degree of flexibility in planning and delivery of resurfacing work.

The flaw in this funding application is that it limits flexibility within the funded category and requires the need to save within an asset class funding bucket to afford completion of a project. This often results in pushing the work out into the future, or having the monies moved to another project within the same asset class. This results in the project being chronically stalled or ongoing requests to increase funds for this asset type. It also results in perpetual carry-forward amounts which, when combined with the high number of buckets, leads to a significant amount of funding tied up and unavailable for other uses.

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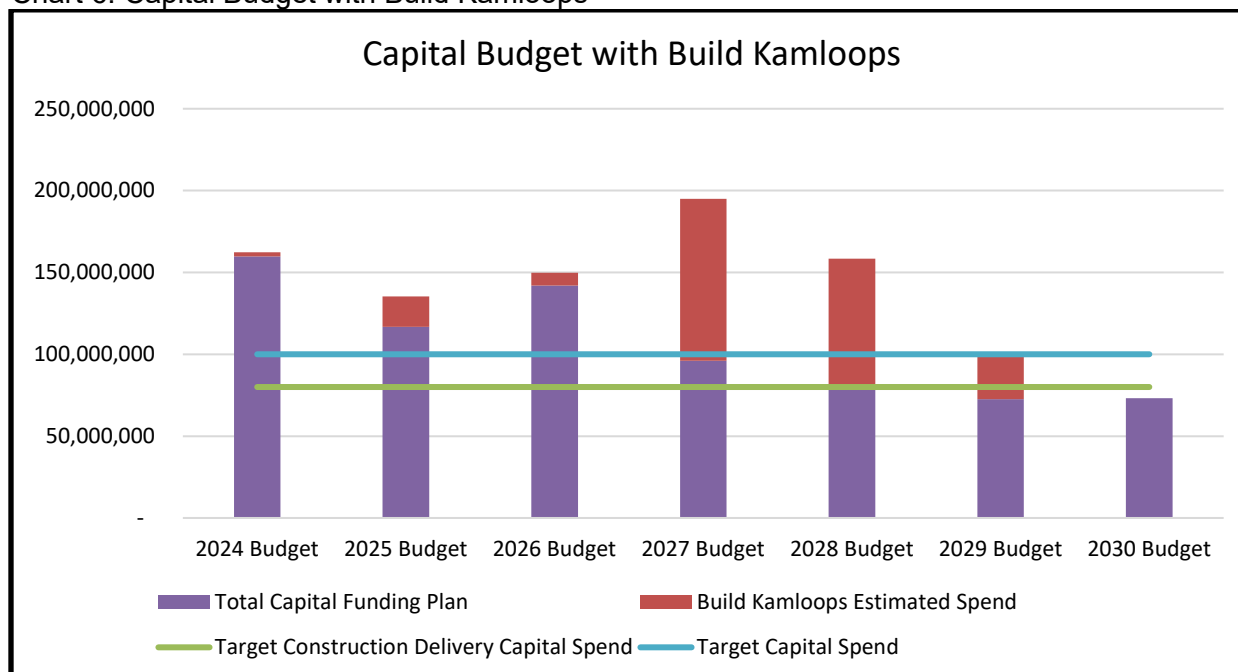
Beginning with the 2026 Capital Budget, the City is implementing a capital prioritization process for incorporation into the 2026–2030 Five–Year Capital Plan. This process aims to develop a priority framework that supports the organization’s ability to implement capital infrastructure, including new capital, growth-related infrastructure demands, and asset management-based activities in a timely manner. The process introduces a new system for deciding which projects to invest in using both ranked and unranked criteria to set priorities. If needed, the system allows for exceptions, so decisions can be adjusted based on what the community needs most.

The need to revisit capital planning processes was further reinforced with the approval of major projects within Build Kamloops: the Kamloops Centre for the Arts and the Arena Multiplex. These projects introduced an additional \$275 million in capital investment into a construction market that is struggling to secure skilled labour.

In addition to these two major initiatives, over the next four-to-five years, Administration is proposing to place a limit on the broader capital plan, regardless of funding sources or purpose, to the amount of \$80 million annually in construction capital not inclusive of Build Kamloops projects.

As the initial year of introduction of capital prioritization, Administration has placed an \$80 million target on the capital budget before Build Kamloops projects. This \$80 million is a starting point as staff work through this process. Projects that are currently underway in 2025 with an expected completion date in 2026 or beyond have not been incorporated into this figure and there is a reasonable expectation that the capital budget target will change, possibly lower to allow the corporation to prioritize projects that support both the Kamloops Center of the Arts and the Arena Multiplex. This is not an indication that planned capital works around the City will not occur, rather it is placing a focus on the ability to deliver on an ongoing and consistent basis.

Chart 6: Capital Budget with Build Kamloops



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Build Kamloops

Construction Update

Infrastructure Delivery and Procurement were directed by Council to bring back a Class A level estimate of the Kamloops Centre for the Arts. They have brought together a project team and have spent the last year developing the plan to get from the Class C estimates and design to the Class A level of accuracy we have today.

While the overall construction costs remain consistent with the Class C estimate provided by the Fawcetts, it has been updated to reflect 2025 dollars and now includes soft costs, site unencumbrance, and risk (contingency) allowances, which have been separated out for transparency.

Projected Cost Summary	
New Building Construction and Fit Out Foundations, single-level parkade, primary structure, and all fit-out for turnkey operations	\$150,500,000
Soft Costs, Site Costs and Administration Professional services for design and oversight, site unencumbrance, and risk allowances	37,842,000
Option 1: Additional Parkade level	\$22,678,000

This total cost estimate differs from the 2019 business case due to the following:

- *Current Market Conditions* - Although inflation is starting to stabilize, construction costs over the last five years have increased more than usual due to complex global factors and speculative risk. While future cost projections are now more reliable, the impact of past inflation remains. Budget adjustments were needed to match these conditions and make provisions for the complex, multi-year construction of the Kamloops Centre for the Arts. The increase in costs since the 2023 estimate aligns with inflation in the construction industry over the last two years. A 5% escalation per year from 2% starts to add up quickly, resulting in huge impacts on large-scale projects like Kamloops Centre for the Arts.
- *Updates to Codes and Regulations* - Since the original concept was developed, there have been numerous updates to relevant building codes and standards, most notably revisions to the BC Building Code, including new seismic design standards.
- *Additional Siteworks Requirements* - Preparing the worksite for this project is a major undertaking. Previous estimates accounted for the complexities of building at this location using generous allowances. Further geotechnical investigation and examination of subsurface conditions substantially increased the scope of work required to unencumber this site. Before foundations can be placed, several complex activities need to happen, including, but not limited to:

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- Relocating a TELUS fibre superhighway, currently servicing all residents and communities east of the Kamloops Centre for the Arts work site.
 - Removing remnants of the Kamloops Daily News building. Although this removal was anticipated, further site investigations and foundation planning have clarified the extent and cost of the work.
 - Rerouting additional utilities, including BC Hydro, FortisBC, Rogers, and City sanitary sewer and storm drainage.
- *Unforeseen Scoping Challenges* - As the project moved into validation/design, various challenges were uncovered that could increase costs if not properly addressed. Some of these challenges are related to the site's sloped topography and larger-than-anticipated servicing needs. While the project team will work to resolve these issues during detailed design, they should still be treated as risks and be included in the overall project cost.

The updated budget reflects the maximum allowable cost, adjusted to 2025 dollars and supported by a fully developed design, particularly in high-risk areas such as foundations/utility connections. Unlike traditional tendered projects, where risk is managed through contingencies, the project team has assessed and estimated specific high-impact, high-consequence risks in advance rather than making allowances for them.

Risks that cannot be mitigated are integrated into the project through early collaboration between the designers and builders. This approach ensures that known risks are planned for in advance, preventing unexpected cost increases. While this planning does not eliminate the cost of the work itself, it significantly reduces the likelihood of costly delays during construction by allowing the project team to address challenges in real time. Fast, uninformed decisions are not always the best, which is why this aspect of the budget planning process is so critical.

A stable, well-mapped-out construction execution plan contributes directly to stable cash flow. With stabilized cost projections, the City's financial planning team can confidently make strategic decisions throughout the project. An overall cash flow for the project has been meticulously developed, including annual projected spends and monthly updates to track trends and enable timely adjustments.

Because risks have already been identified and built into the total cost projections, there is potential for savings as those risks are progressively retired. When this happens, the City will have the option to either reinvest savings into the project or use them to reduce overall project costs based on Council's direction. The project still carries a small contingency, but it is much less than traditional tendered projects, where the risk is on the contractor. In those models, the owner must rely on the consultant's design accuracy and hope that the percentage-based contingency is adequate.

While no budget is set in stone, the integrated project delivery model brings together the skills and abilities of the owner, consultants, and contractors in a collaborative process focused on shared project success rather than individual success. Unlike traditional delivery models, integrated project delivery offers full cost transparency, with every dollar auditable. The City can audit the external partners' books at any time to confirm precisely where all the costs are going, with direct costs, overheads, and profits all separated.

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Financial Update

The initial budget presented to the Build Kamloops Select Committee was \$154 million, leaving the debt contingency available as additional funding in anticipation of changing economic factors during the construction period. These factors could include, but are not limited to, inflation, tariffs, and construction-related issues (unknown unknowns).

Project Funding	
Anticipated Debt	\$128,000,000
Debt Contingency	12,000,000
Fundraising and Sponsorship (Target)	20,000,000
Use of Reserves	6,000,000
Total Available Before Grants	\$166,000,000

The current available budget (funding) for this project, including debt, contingency debt, fundraising, and allocated reserves, is \$166 million. As the project advanced from a Class D to a Class A estimate, the budget was revised to \$188.3 million, requiring an additional \$22.3 million to be funded over the next five years.

Through the capital prioritization process, staff have identified an opportunity to free up an additional \$10.8 million within the 2025–2029 five-year window from the Gaming, Community Works, and Growing Communities Reserves.

For Example: With the recent confirmation that Thompson Rivers University will be deferring the proposed Summit Drive pedestrian overpass, Council had previously allocated the available Growing Communities funding towards Build Kamloops-related active transportation requirements. Council could allocate these funds to the Kamloops Centre for the Arts project, providing an additional \$3.2 million, in addition to the \$6.0 million from the Growing Community Fund Reserve previously allocated to the Kamloops Centre for the Arts.

Since the Growing Community Fund Reserve must be spent by 2028, this shift would help ensure the funding is used on time.

An additional \$7.7 million has been identified that could be reallocated between 2026 and 2029 by changing the funding source for certain projects from taxation to the Asset Management Reserve, provided they meet the reserve's criteria. This is not removing any projects from the planned construction list, rather just adjusting the funding so we can use the flexibility of taxation funding for this project. This assumes a steady 0.5% increase in the contribution to the asset management reserve over the 2026–2029 period.

These adjustments, plus use of the Community Climate Action Plan funding, would increase the funding to cover the \$150.5 million of construction/fit-out costs and the \$37.8 million of soft costs, site costs, and administration for this project.

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There are also potential reserve funds that could be made available, but they will require specific decisions on projects or programs. Orchards Walk Park has \$4.5 million in funding from the Gaming and Community Works Reserves that could be made available if the park project were delayed by two years to 2031. The non-DCC funds would be allocated to the KCA and then in 2031 new funds from Gaming and Community Works would be allocated to fund the build out of the proposed park.

The funding for downtown streetscapes and active transportation, at \$500,000 and \$2 million per year, respectively, could be removed from this funding source starting in 2027 and allowed to compete with all projects through the capital prioritization process on a project-by-project basis. These adjustments could free up an additional \$12.5 million to put towards the Kamloops Centre for the Arts.

The unfunded portion of this project would not be realized until 2029, with the approved funding and alternatives above covering the 2025–2028 spending and some of the 2029 spending. By that time, we would know how many of the project's risk factors had been realized and have a good idea of any additional funding the project may receive, so we can determine the actual gap.

The high level of certainty about the costs before 2029 will allow staff to continue the exercise above, using the 2030 Gaming, Community Works, and Asset Management Reserves to free up an additional \$15.5 million and complete the funding of the additional parking level in Option 1. Again, using the reserves to this level removes almost all our flexibility to nimbly react to unforeseen situations without affecting property taxation.

The following table shows that the total project, including Option 1 (Additional Parkade Level), could be funded by source and by year.

Table 8: Build Kamloops Potential Funding Sources

Funding By Year						
	2025	2026	2027	2028	2029	Total
Debt	\$ 5,185,000	\$ 31,652,000	\$ 56,309,000	\$ 34,854,000		\$128,000,000
Fundraising				\$ 1,791,000	\$14,709,000	\$ 16,500,000
Committed Reserves				\$ 3,000,000	\$ 3,000,000	\$ 6,000,000
Construction/Fit-Out						\$150,500,000
Debt Contingency				\$ 12,000,000		\$ 12,000,000
Fundraising					\$ 3,500,000	\$ 3,500,000
INITIAL FUNDING						
Available Gaming					\$ 3,300,000	\$ 3,300,000
CCAP Funding					\$ 493,000	\$ 493,000
Available Community Works					\$ 1,860,000	\$ 1,860,000
Available Asset Management					\$ 7,196,000	\$ 7,196,000
Build Kamloops Active Transportation				\$ 3,238,000		\$ 3,238,000
Deallocation Active Transportation					\$ 6,255,000	\$ 6,255,000
Soft Costs, Site Costs and Administration						\$ 37,842,000
Deallocation Streetscapes - starting 2027					\$ 1,500,000	\$ 1,500,000
Available Asset Management					\$ 904,000	\$ 904,000
Orchards Park Delay - 2032					\$ 4,749,000	\$ 4,749,000
2030 Gaming					\$ 3,000,000	\$ 3,000,000
2030 Community Works					\$ 4,725,000	\$ 4,725,000
2030 Asset Management					\$ 7,800,000	\$ 7,800,000
Option 1: Additional Parkade Level						\$ 22,678,000

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Project Funding Source	Funding Amount
Anticipated Debt	\$128,000,000
Debt Contingency	12,000,000
Fundraising and Sponsorship (Target)	20,000,000
Use of Reserves	6,000,000
Initial Funding	\$166,000,000
Reallocated Growing Communities (Summit Drive Overpass)	3,238,000
Available Gaming	3,300,000
Available Community Works	1,860,000
Available Asset Management	8,100,000
Community Climate Action Funding	493,000
Deallocation of Projects (starting 2027-2029)	7,755,000
Orchards Walk Park 2-year Delay	4,749,000
2030 Reserves	15,525,000
Revised Funding Available Before Grants	\$211,020,000

Supplemental Budget Items

During the planning cycle, staff identify opportunities to introduce changes to existing service levels or new opportunities. Included in these items are initiatives that have been requested by community groups or residents seeking Council's support and endorsement.

As recognition of the many cost pressures on the 2026 budget, direction was given to reduce supplementals and not have any that affect 2026 taxation. From that direction, staff plan to present two Supplemental items that will impact the 2026 – 2030 Financial Planning period.

For this meeting, the Committee of the Whole is not expected to decide on the direction of the supplemental budget items. They are being provided and reviewed as information only at this time.

The Committee of the Whole will be asked to provide direction related to each supplemental budget item for the 2026 budget and 2026–2030 Five-Year Financial Plan at the January 20, 2026, Committee of the Whole meeting.



D. Hallinan, FCPA, FCMA
Corporate Services Director

Concurrence: Jen Fretz, P.Eng. Civic Operations Director
Ken Uzeloc, Protective Services Director/Fire Chief



Approved for Committee of the
Whole

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Jola Beliveau, Asset Management Supervisor

DR/

Attachments