



Canada's Tournament Capital

Funding Agreement
Supplemental Budget Item

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Division Director Sign Off David Hallinan

Executive Summary

The City of Kamloops, as a corporation, is guided by the objectives in Council's strategic plan. When programs and services related to that strategic plan fall outside of the corporation's core competencies or are better suited to be delivered by a third party, the City engages organizations and not-for-profit agencies using funding agreements. Organizations can receive a funding agreement for a predetermined level of funding for a period up to four years in length.

In 2022, to better align existing funding agreements against Council's strategic plan and priorities, staff consolidated the agreements into a single business unit and further categorized them into the following pillars:

- recreation
- cultural
- social
- economic
- other

For many years, the available level of funds for funding agreements has been fully subscribed, which has negatively affected many of the organizations that utilize this form of funding in the delivery of contracted services. These challenges came to light during the 2023 funding agreement contract renewals when the amount of funds being requested increased considerably.

These conditions prompted the Service Agreement Renewal Select Committee to request that Administration review the funding agreement program to identify what changes would be required to both expand existing services and consider entering into agreements for new services.

Under the direction of Council, Administration developed a council policy that establishes the governance framework towards funding agreements and a process for both agreement renewals and potential new agreement intake.

The final step towards revisions to the funding agreement process includes an analysis to identify a predictive and repetitive means of increasing funding to ensure the strength of the funding agreement program.

Administration recommends the implementation of an increase in taxation in 2024 of 0.1% equal to \$136,000 and additional increases of 0.1% for a period of four years to a total taxation amount of 0.4% resulting in approximately \$630,000 in additional annual funding by 2028 to expand the funding agreement program.

Situational Overview (Terms of Reference)

For many years the City has provided funding agreements to support activities within Kamloops. These activities can be categorized under the following areas:

- recreation
- cultural
- social
- economic
- other

There are currently no agreements assigned to the 'other' category. Funding agreements amount to 2.5% of the City's overall taxation funding for 2023.

These agreements are intended to provide services on behalf of the organization that are outside of the City's core competencies and are better suited to be delivered by a third-party organization.

The City enters into agreements that deliver services that benefit our community in a multitude of ways. These services work in conjunction with existing City delivered services and add value to the community. Funding agreements support third party organizations and focus on the following:

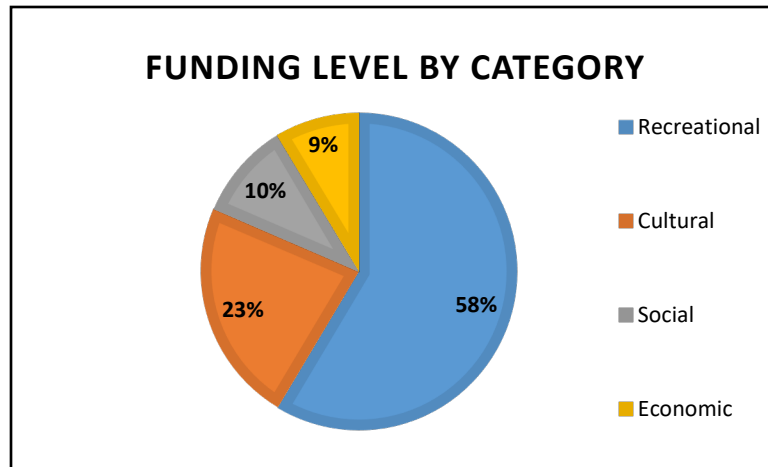
- maintaining a City asset or providing a service to the community in a cost-effective manner, and
- providing a service to the community that City staff do not provide and that other organizations are better suited to provide.

These agreements are entered into for a period no greater than four years. The funding amount either remains flat or contains a predetermined inflationary component to help support the agreement holders.

Organizations that hold these agreements are expected to report on their progress to Council in an ongoing and timely manner and are expected to consult with their City liaison when contemplating fundamental or significant changes to their operating model or for changes in their program deliverables.

In 2023, the Service Agreement Renewals Select Committee was tasked with reviewing and evaluating current agreements which were all scheduled to expire at the end of the year. The intent of this review was to identify any gaps in funding in alignment with Council's strategic plan and to determine a process for the potential renewal of current funding agreements or the addition of new funding agreements.

Through the course of the year, each agreement was reviewed and brought to Council for renewal, which left minimal additional funding available for the consideration and inclusion of new agreements to expand services.



Annual funding level breakdowns for current approved agreements are displayed in the adjacent chart.

Of note is that 70% of the existing agreements provide \$150,000 or less in funding. Only two agreements provide \$400,000 or more. Through staff engagement with the Service Agreement Renewals Select Committee, direction was provided to establish a Council policy and develop a process that would include the solicitation, evaluation, and awarding of funding agreements.

Council further directed staff to bring forward a business case outlining proposed funding options to financially support expansion of the funding agreement program.

In December 2023, Council approved Council Policy GGA-45 Funding Agreements along with a proposed review process that looks to monitor funding agreement deliverables.

This business case provides options on how to increase overall funding for funding agreements. Staff recommend initially creating a reserve to recapture annual surplus funds (should they materialize), while establishing a funding strategy to expand the scope of services that these agreements could satisfy.

This proposal evaluates:

- planned increases in funding by existing service providers (beyond the approved level of base funding)
- funding availability to expand the program to support new agreements for complementary services that Council may wish to consider and approve

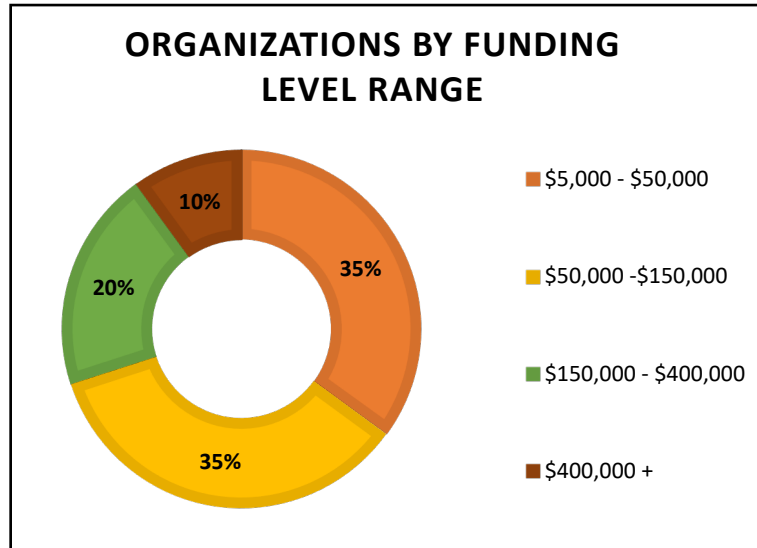
Options (Alternatives) Considered

The following options were considered to provide an ongoing method of funding related to funding agreements.

Option 1: Fixed Amount

Under this option, a fixed amount of \$250,000 would be placed in the budget and allocated to the Funding Agreement Reserve for a period of no less than five years. This period aligns with the current funding agreement cycle and would provide up to \$1,000,000 in additional new funding during the next agreement evaluation period in 2027.

The challenge that this option introduces is that the ongoing annual allotment would be capped at \$250,000 per year. The \$1,000,000 built up in reserves would support any future overages, but would not fundamentally allow the program to grow. During the 2027 evaluation period, the committee, through to Council, could look at extending this funding contribution into the next agreement renewal period.



Pros	Cons
<ul style="list-style-type: none"> • predictable fixed amount • easily communicated over the four-year period 	<ul style="list-style-type: none"> • depending on the amount allocated annually it may not satisfy the demand for new funding in the short-term • static amount may not keep up with inflationary environment • may limit program growth

Option 2: Percentage of Taxation

Under this option, like the funding strategies employed for the Asset Management Reserve and Community Climate Action Plan, a predefined percentage of taxation would be allocated into a reserve for a period of not less than four years. This period aligns with the current funding agreement cycle and would provide up to \$1,000,000 in additional new funding during the next agreement evaluation period in 2027.

During the 2027 evaluation period, the committee, through to Council, could look at extending this funding contribution over into the next agreement renewal period.

The prior years taxation funding amount would be used to determine the overall contribution each year moving forward.

Pros	Cons
<ul style="list-style-type: none"> • allows for an increase in funding as it is tied to a growth base (taxation) 	<ul style="list-style-type: none"> • depending on the amount allocated annually, it may not satisfy the demand for new funding • over the short-term, available funding will be uncertain

Financial Considerations (Benefit/Cost Analysis)

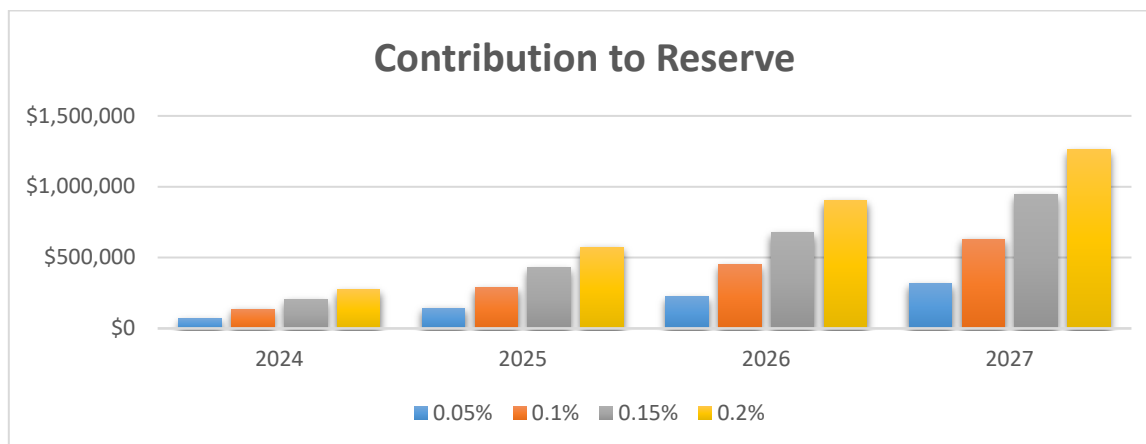
Option 1: Fixed Amount

Under the fixed option a preset amount would be built into the budget and provide a one-time taxation impact that would boost the available funding for the issuance of new funding agreements. There are some challenges with this model, in that existing funding levels increases beyond the contracted cost of living increase would be limited. Further, this amount may limit the City's ability to take on a new service that is aligned with Council's strategic plan and priorities in a timely manner.

Description of Costs	2024	2025	2026	2027	2028
Capital:					
<i>Total Capital</i>					
Operating:					
Reserve Contribution	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
<i>Total Operating</i>					
Total Spend By Year	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000

Option 2: Percentage of Taxation

Alternatively, the introduction of a predetermined percentage of taxation can be considered. For presentation purposes, the chart below shows a range of potential taxation increases from 0.05% to 0.2%. Staff recommend a 0.1% tax increase per year to provide over \$600,000 annually in increased funding for funding agreements. Further, the funds added between 2024 - 2026, which is estimated to amount to just over \$850,000, can be used to support funding agreements and potential one-time asks for funding.



To minimize the overall impact and provide an adequate, future based level of funding introduction of a 0.10% annual contribution is recommended that will provide an adequate level of funding to allow for growth in the funding agreement program.

Description of Costs	2024	2025	2026	2027	2028
Capital:					
<i>Total Capital</i>					
Operating:					
Reserve Contribution	\$136,000	\$281,000	\$447,000	\$627,000	
<i>Total Operating</i>					
Total Spend By Year	\$136,000	\$281,000	\$447,000	\$627,000	

Risk Analysis

The perspective of risk as it relates to the overall funding agreement program is minimal. Many of the partners have been in place and providing their services for years. Where risks do materialize is when circumstance outside of the operators or the City's control are introduced that have a negative effect on the operation. The City could also risk missing an opportunity to provide a new service, a service expansion, or a change in service needed by residents due to either a lack of awareness, funding, or both.

The identification and intake process outlined in the new Council Policy GGA-45 Funding Agreements should reduce the risk that organizations will lack awareness about new

opportunities. The risk associated with a lack of available funds can be mitigated should Council approve the inclusion of the identified costs as outlined in this proposal.

Proposed Schedule

Subject to approval of the 2024 Budget and 2024-2028 Five Year Financial Plan, these funds can be identified in the budget and then transferred to the Funding Agreements (Restricted) Reserve early in 2024.

This entry would be captured annually and identified as part of the provisional budget process and would be available beginning in 2024. By 2027, no further adjustment would be made to the contribution to reserve. There would be approximately \$630,000 available in future years to support either new or changing needs of existing organizations delivering on City issued funding agreements.

Conclusion/Recommendation

Administration recommends the implementation of Option 2: Percentage of Taxation with an increase in 2024 taxation of 0.1%, equal to \$136,000 (in 2024) and additional increases of 0.1% for the next three years to account for a total taxation amount of 0.4%. This will result in approximately \$625,000 available annually beginning in 2028. This funding increase would position the City to be able to renew existing agreements in 2028 at adequate levels to support existing programming while also considering the introduction of new services as they are identified.

Completed by the Corporate Services Department

Proposed Funding Options

Funding		2024	2025	2026	2027	2028
Funding Source						
	Taxation (approximations*)	\$136,000	\$145,000	\$166,000	\$180,000	
	Taxation %	0.1%	0.1%	0.1%	0.1%	

Note: * amount dependent upon the prior years' taxation funding amount to the level of 0.1%