

ADMINISTRATIVE REPORT TO COUNCIL

ON

FINANCIAL IMPACTS OF HIGHER-LEVEL GOVERNMENT POLICY CHANGE

PURPOSE

The purpose of this report is to provide Council with information pertaining to the impact that various changes at senior levels of government have had on City operations and budgets over the past five years.

COUNCIL STRATEGIC PLAN

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

- **Safety and Security**
 - Safety: We prioritize the safety of our community for residents, businesses, and visitors.
 - Housing: We proactively create opportunities to increase the inventory of diverse housing supply so that residents can access and move throughout the housing continuum.
 - Social Supports: We intentionally collaborate with key partners to create innovative solutions that respond to and address the community's needs.
 - Emergency Preparedness and Response: We build community resiliency, mitigate the impacts of emergency events, streamline response, and ensure our protective services align with evolving needs.
- **Governance and Service Excellence**
 - Asset Management: We plan for the development, improvement, repair, and replacement of our infrastructure.
 - 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**
 - Healthy Community: We foster an environment that supports and promotes healthy living through community, recreation, and social connection.
 - Inclusivity: We reduce barriers for underrepresented groups to bring inclusivity, diversity, and fairness to our community.
 - 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.
- **Economic Health**
 - Business Development: We ensure our efforts and investments are measurable and accountable.
 - Economic Strength: We build strategies to increase our competitive advantage, cultivate growth, and support our residents.

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SUMMARY

On January 9, 2024, Council requested staff bring forward a summary of the City's costs associated with senior levels of government downloading services onto municipalities. The issue of downloading is complex and has become muddled by the impact of the various services that are expected to be provided by various levels of government. Services such as medical response become less clear when the interdependence between policing, fire, and ambulance services are called upon to address an emergency.

Other conditions are very clear and easily identified, as the relationship between federal and provincial responsibilities and those of local governments is easily distinguishable. Growing centres face increasing demands for service delivery to address growing social and health needs related to poverty, homelessness, and medical support. At the same time, the financial challenges facing all levels of government require alignment to provide services effectively. This report will focus on the different forms of downloading in six key focus areas:

- gaps in service delivery - areas where policy and/or service delivery should fall under federal or provincial jurisdiction
- senior government services shortfalls - areas where service is delivered by senior government and there are gaps in the service level addressed by the local government
- legislative and regulatory framework - changes to senior government legislative and regulatory framework that impacts municipal budgets
- property taxation policy and partnering - changes by senior government to property tax policy that impacts the City's ability to collect or increase taxes and partnering on infrastructure upgrades
- emerging service - areas of emerging service need that have resulted in an expanded mandate or increased cost on local governments
- future impacts - changes that are either known or are still in a phase of materializing with an impact on local governments

RECOMMENDATION:

For information only.

DISCUSSION

Senior levels of government have been shifting services or costs onto local governments for many years. The period of review of this report is from the beginning of 2019 through the end of 2023. As a starting point, since 2019, both levels of senior government have continued to introduce changes to policy, legislation, and regulatory compliance during a period of considerable challenges in the employment market, the social environment, and the economy. As these impacts ripple through municipalities across the province, the impact is being felt at the local government level in the delivery of services and the need to adapt to address these changes is being felt by City operations and residents.

Many of the impacts being felt at the local level are attributed to changes initiated by the federal or provincial governments and gaps in the ability to deliver the requested services are becoming increasingly evident.

Several of the policy changes in effect have yet to impact the City financially; however, these changes are expected to affect the organization's future financial position.

Gaps in Service Delivery

Shelters, Social Housing, and Affordable Housing

In support of responding to the housing crisis and increasing homelessness, the following is a list of City-owned properties currently being leased or previously leased at a nominal fee (\$1) to the Province to provide shelter services, social housing, or affordable housing.

- Shelter Services
 - Memorial Arena and Kamloops Curling Club - leased during the pandemic (2020/2021) to provide up to 90 temporary shelter beds (\$250,000 lost revenue).
 - Kamloops Yacht Club - leased to provide 20 temporary winter shelter beds winter 2021/2022 and 2022/2023 (\$24,000 lost revenue).
 - Stuart Wood School - leased through joint approvals by the City and Tk'emlúps te Secwépemc to provide temporary winter shelter in winter 2017/2018 and 2021/2022 and served as a temporary shelter on an ongoing basis since November 2022 with a current lease to April 2024 (likely to be further extended).
 - 600 Kingston Avenue - leased for \$1 in 2021 to provide a 41-bed temporary shelter (Moira House) through to end of 2026.

- Supportive Housing
 - Idle City property located at 785, 805, 807, and 809 Mission Flats Road - leased to BC Housing for \$1 in 2018 to provide 54 temporary supportive housing units (ongoing) (the City's cost to acquire adjacent property (773 Mission Flats Road) and demolish older dwelling to accommodate displaced public works operations - \$727,000).
 - 317 Tranquille Road - long-term (60 years) lease to provide 58 supportive housing units (Spero House) (City cost to acquire and demolish the existing building - \$1.4 million).

- Subsidized Affordable Housing:
 - City property located at 445 5th Avenue and 527, 533, and 537 St. Paul Street was provided under a long-term lease (60 years) to provide 60 subsidized affordable rental housing units (Diversity Flats) (City cost to acquire the property - \$1.41 million).
 - City property located at 975 Singh Street was provided under a long-term lease (60 years) to provide 31 housing units for Indigenous youths and Elders (Kikekyelc: A Place of Belonging).
 - City property located at 440 MacKenzie Avenue was provided under a long-term lease (60 years) to provide 43 housing units for seniors.

The City’s total expenditures to accommodate the housing projects identified above is approximately \$3.537 million.

Housing Regulations (Bill 44 or 46)

The City works in partnership with the provincial government and BC Housing through a memorandum of understanding to support the planning, development, operations, and communications for future shelter, social housing, and subsidized affordable housing sites.

In 2023, the Province began issuing non-market and market housing targets to municipalities, including the City of Kamloops. Non-market housing is primarily achieved through provincial and federal funds, and market housing relies on investment and development by private landowners and developers.

Zoning changes required under Bill 44 to allow increased densities in urban areas will require significant infrastructure upgrades, which have not been accounted for in the Development Cost Charges Bylaw.

The Province also looks to the City to cover the costs for servicing and off-site improvements to assist in moving specific Province-led housing projects forward.

In summary, the costs in areas where policy and/or service delivery should fall under federal or provincial jurisdiction and where current gaps exist have negatively impacted the municipality either from a reduction in revenue, or the City costs to acquire property to support these forms of initiatives, along with recognizing the impact due to the loss of access and revenues on assets that are held for other civic purposes.

Gaps in Service Delivery	
Summary of Identified Costs	
Lost Revenue	\$274,000
Costs	\$3,537,000
Total	\$3,811,000

Senior Government Services Shortfall

This category impacts City service delivery and costs but is also difficult to quantify because they impact services in different ways and can be difficult to track. Costs that can be identified have been indicated.

Many of these cost impacts had been experienced by the local government; however, the COVID-19 pandemic placed a brighter spotlight on the growing opioid epidemic and the challenges in overall access to housing access and market affordability. Senior levels of government’s response to these crises has been felt on the front lines of many municipalities, including Kamloops.

Mental Health and the Toxic Drug Crisis



Kamloops Fire Rescue Medical Response

In addition to fire suppression, Kamloops Fire Rescue firefighters provide pre-hospital care as first responders to medical calls. Kamloops Fire Rescue's response to medical calls is approximately 66% of their annual calls for service. In the last three years, medical responses have increased by 57% between 2021 (4,600) and 2023 (7,200). Of the total annual medical calls, overdose/poisoning responses have increased by 57% between 2021 (540) and 2023 (845).

For 2023 medical responses, Kamloops Fire Rescue arrived on scene 75% of the time and an average of 4 minutes and 42 seconds before BC Emergency Health Services. Given an average call duration of 26 minutes for Kamloops Fire Rescue's medical responses, the 2,600 additional responses put significant pressure on existing crews and resources.

The 2023 budget for fire suppression and medical response was \$21.6 million. Given the large portion of response calls that are medical in nature, there is an implicit cost related to the increase in on-scene time due to delays in BC Emergency Health Services responses.

Overtime costs have increased by approximately 58% (\$180,000) since 2020, and sick leave hours have increased by 31% (4,800 hours) over the same period. Several factors contributed to these increases, but there is a correlation between the increased call volume, member fatigue, and rising leaves taken.

The City incurs a range of costs, including supplying medical supplies and Naloxone costs of about \$1,000 per year, as these supplies are consumed through these forms of Kamloops Fire Rescue responses.

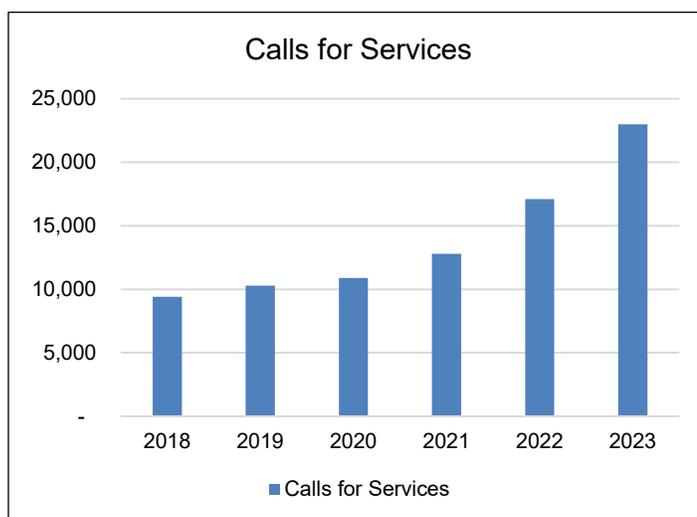
In addition to the increase in overall operating costs, an additional complication is the potential risk of delayed responses to other calls or a future need for increased staffing to meet rising demand. Medical response is a value-added service that Kamloops Fire Rescue provides as the primary responsibility for pre-hospital care lies with the Province through BC Emergency Health Services.

Community Services

Leading up to 2019, it became apparent that social issues were increasing at the community level, and traditional Bylaw Officers lacked the skills to respond to these types of incidents safely. In response, the division was rebranded to Community Services, and Bylaw Officer positions were transitioned to Community Service Officers. This reorganization was intended to provide augmented services to support bylaw enforcement and to partner with the RCMP to introduce a greater combined presence within the city.

In 2018, 9,400 bylaw-related calls for service were received. Under the Community Services model, this has sharply increased each year, with 23,000 calls for service received in 2023. Of these calls, 24% were classified as social related.

This growth in call volume is attributed to residents' increased awareness of the supports provided by Community Services and a continuation of the rising social issues that precipitated the creation of the department in the first place.



To respond to this rising call volume, Community Services has added six new full-time equivalents over the past five years, with those additional salaries and wages adding approximately \$860,000 to the budget annually. Community Services Officers receive a higher level of training (up to \$20,000) and equipment profile (up to \$20,000) than previously required, and more vehicles (five at approximately \$90,000 once fully outfitted each plus operating costs) have been required to support the increased officer numbers and call volume. The cost for homeless camp cleanup is a specific cost that has increased \$140,000 from 2018 levels.

Community Services Budget and Staff Levels¹

	2019	2020	2021	2022	2023
Salaries and Wages	\$2,581,000	\$2,851,000	\$2,975,000	\$2,775,000	\$3,788,000
Other	1,152,000	1,345,000	1,045,000	966,000	896,000
Total	\$3,733,000	\$4,196,000	\$4,020,000	\$3,741,000	\$4,684,000
Full-Time Equivalents	28.9	30.9	30.9	31.3	38.0

In fall 2022, BC's Attorney General and the Minister of Public Safety and Solicitor General commissioned the Transforming Policing and Community Safety in British Columbia report. The report contained many recommendations to address the gaps in the system around the care of people with mental health and substance use needs involved in the criminal justice system. Central to this was the understanding of the need to increase non-police resources to address mental health and substance use issues.

An additional impact of the rising call volume and the resulting Community Service Officer resource constraints led to a temporarily reduced focus on parking enforcement in the key business corridors. Parking ticket revenues in 2021 decreased by approximately \$40,000 and by a further \$5,000 in 2022. Once additional Community Service Officer resources were added as part of the 2023 supplemental budget process, Community Services Officers were able to refocus on enforcement, and revenue returned to historical levels.

¹ Combined custody of prisoners, Community Services, and parking budgets. The salaries and wages decrease in 2022 is attributable to a realignment of budgets and positions to the new model.

On-Street and Off-Street Parking and Ticket Revenue

	2019	2020	2021	2022	2023
Parking Revenue	\$2,000,900	\$1,111,700	\$1,432,300	\$1,468,200	\$1,482,700
Ticket Revenue	166,400	105,900	62,500	56,300	113,100
Total	\$2,167,300	\$1,217,600	\$1,494,800	\$1,524,500	\$1,595,800

Parking revenue was significantly impacted by COVID-19 measures and has been slow to recover. This is partially a result of changes in demand due to an increase in remote office workers and the effects of reduced enforcement due to Community Service Officers' capacity constraints.

Contracted Security

During the transition period to the Community Services model, the need to supplement the emerging program with private security services was identified. These security firms were engaged to support and minimize community impacts brought on by an increase in social conditions caused by the COVID-19 pandemic, opioid crisis, and lack of safe and secure housing for marginalized people.

While the City implemented these supports, funding was provided received through provincial Strengthening Communities' Services Program grants provided for security services in the city's key commercial corridors. This funding package expired in summer 2023. To keep this important support in place, the City approved using \$450,000 from the Gaming Reserve to maintain this service until the end of 2023.

The costs for security services over the past three years were \$689,000 in 2021, \$1.023 million in 2022, and approximately \$1.177 million in 2023. These costs were offset by grant funding totalling \$1.650 million over the same period. Security is still utilized in park areas and overnight; however, Community Services now has capacity to reduce usage.

Continuing security costs for 2024 are estimated at \$75,000 per month to provide ongoing patrols at transit exchanges, parkades, and surface lots and to perform washroom lockups and night patrols in the parks.

Having initiatives being funded by non-taxation-based revenues (e.g. the Gaming Fund) creates a challenge for the organization in that these funds have traditionally been used to introduce specific projects or initiatives that are completed in a short-term period. With these funds being diverted, it limits the introduction of broader community-based amenities or initiatives that would be added with these non-taxation forms of funding.

Homelessness

On March 2, 2021, Council directed staff to create comprehensive short-, medium-, and long-term plans for preventing and alleviating street issues. One of the medium-term options proposed in the original Notice of Motion was to identify daytime space for street-involved

individuals. In July 2021, Council authorized Administration to enter into a short-term facility use permit with the Kamloops Aboriginal Friendship Society and The Mustard Seed to provide The Gathering Place, a seasonal outdoor day space for people experiencing homelessness that was operated in a City-owned parking lot at 48 Victoria Street West. Council authorized the seasonal day space for unhoused individuals at 48 Victoria Street West again in 2022, 2023 and 2024. This initiative operates from April or May to October and is funded through the federal Reaching Home program.

In March 2023, Council approved \$450,000 in funding from the Gaming Reserve to support social-related initiatives beyond the August 2023 conclusion of the Strengthening Communities' Services Program funding. This funding was to continue operating the Envision Outreach Shuttle, the Community Service Officers Outreach Response Program, and the Clean Team through the end of the year.

In November 2023, for the 2024 budget, Council approved \$682,000 in annual funding (the initial year from the Gaming Reserve) to support the Community Service Officers Outreach Response Program (\$422,000) and the Clean Team (\$260,000) on an ongoing basis. The Envision Outreach Shuttle is now supported by funding from the federal Reaching Home program.

Social and Community Development Section

In 2009, Council adopted the Kamloops Social Plan, which resulted in the creation of the Social and Community Development Section to address community needs through the provision of programs and services to support community well-being and an inclusive, accessible, healthy community.

This portfolio puts particular emphasis on supports for vulnerable demographic groups, including, among others, seniors, children and youth, low-income families, Indigenous people, people with disabilities, and people experiencing homelessness. All municipalities have undertaken a social planning and community development function.

For many years through this portfolio, the City has provided affordable access to recreation and transportation; programs for youth, seniors, people with disabilities, and low-income families; food security initiatives; engagement with neighbourhood associations and support for community development initiatives; social and community development grants to community -based programs in alignment with Council and community priorities; coordination and support for community partners in addressing social issues; and social plans in the areas of food security, youth homelessness, childcare, affordable housing, accessibility and inclusion, and housing needs.

Over the past decade, new and growing social issues and community needs have arisen that municipalities, government agencies, and community partners are responding to. These include, among others:

- the toxic drug supply crisis
- the housing crisis and an increasing scale of homelessness
- limited access to and availability of childcare spaces
- increasing food insecurity

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These issues are compounded by strains on our health care system and social safety net, climate change impacts, and demographic transitions. While housing, childcare, health care, and social services fall under the jurisdiction of senior government, these emerging social and community needs require municipalities to respond to address gaps where provincial and federal partners are not meeting them. This has resulted in the growth of social planning and community development portfolios in municipalities across the province and the country.

Prior to 2021, the City's Social and Community Development Section included five staff: a supervisor, two union coordinators, one union coordinator specifically for the Emergency Support Services program, and a project manager to support administration of the federal Reaching Home program.

In 2021, with escalating social issues creating increased impacts in the community, a new management position was created to provide oversight, direction, and additional capacity to the portfolio and to support relationship-building and partnership development with senior government agencies, including BC Housing, Interior Health, the Ministry of Social Development and Poverty Reduction, and the Ministry of Mental Health and Addictions. An additional Reaching Home project manager position was also created to support the program's increasing scale.

In 2022, a new supervisor position, predominantly funded through the federal Reaching Home program, was created to provide oversight and management support for the expanding program and to address new responsibilities given to the City as the local administrator of the program, including the development of a coordinated access and assessment system and a homelessness information management system. This new supervisory role also increased capacity to support the Emergency Support Services program, which is being activated with increasing frequency and duration to support regional evacuees fleeing the increasing number and scale of wildfires and floods.

Social and Community Development Section 2019–2023

The federal Reaching Home program funds the Social and Community Development Section. Most of the Reaching Home funds are provided to community programs and services to prevent and reduce homelessness in Kamloops, with the City utilizing an allocated portion for program administration, staffing, and specific projects like the Point-in-Time Count or extreme weather supplies for unhoused individuals.

The following table does not include salaries and wages for the Emergency Support Services program staff, which come from a different program. The federal government invested significant additional funds into the Reaching Home program during the COVID-19 pandemic.

	2019	2020	2021	2022	2023
Salaries and Wages	\$131,000	\$163,000	\$405,000	\$388,000	\$582,000
Community Programs and Services (Reaching Home, Service Agreements, Social and Community Development Grants)	1,219,000	2,211,000	4,664,000	2,258,000	2,577,000
Grant Funding	(569,000)	(1,426,000)	(4,036,000)	(1,640,000)	(1,874,000)
Total	\$781,000	\$948,000	\$1,033,000	\$1,006,000	\$1,285,000
Full-Time Equivalents (not including Reaching Home and Emergency Support Services program staff)	3.0	3.0	4.0	4.0	4.0
Full-Time Equivalents (including Reaching Home and Emergency Support Services program staff)	5.0	5.0	7.0	8.0	8.0

The ownership of the services identified under senior government services shortfalls can be described as shared between all three levels of government. These services, specifically the ability to clearly delineate where one level of government’s responsibility starts and another’s ends, are muddy at best. The service that best shows this is emergency/medical response. It is commonplace to see multiple first responders dealing with a situation, so while the local government incurs some of these costs, it is reasonable that those costs would be incurred regardless of the nature of the situation being responded to.

Government Shortfalls	
Summary of Identified Costs	
Overtime Costs	\$400,000
Medical Supplies	\$5,000
Camp Cleanup	\$210,000
Community Service Officers	\$813,000
Security	\$1,239,000
Community Programs	\$787,000
Total	\$3,454,000

Legislative and Regulatory Framework

Municipalities are often impacted by senior government policy and legislation that result in increased spending by municipalities. While not directly considered downloading, these collectively require the City to increase its budgets or staffing. In a number of these circumstances, a stronger consultation process would improve coordination and help municipalities minimize additional costs.

Response to Emergency Situations

Kamloops is centrally located in BC's Interior. In many circumstances, it becomes the destination for many other Interior residents during periods of local evacuation orders. Over the past number of years, Kamloops has been relied on as a host community for displaced residents from Merritt, Williams Lake, and Lytton.

With the changes to the *Emergency and Disaster Management Act* and a new potential requirement to be a host community, these services are necessary for evacuees, and supplying them is very impactful to the corporation's ability to maintain its brand of Canada's Tournament Capital.

Many City facilities become unavailable during host community activations to support many of the displaced residents or responding agencies. As these types of events become more frequent, the City is expected to experience a larger financial impact and that there will be less access for sports organizations and residents. In many circumstances, a number of these residents chose to remain in the city after many of the displaced people have returned home.

The Province covers some of these expenses; however, some costs, such as technology access and lost revenues, are not covered while the facility is unavailable. Potentially adding to the situation is the impact on reputation as the public becomes increasingly aware of the impacts that, for example, wildfires have on evacuation and air quality. Areas where these conditions exist become less desirable, and tourists and visitors are booked elsewhere where there is a greater level of comfort that these conditions will not impact their plans or events.

Adding to the delay in resuming normal City activities is that staff time is required to clean and prepare the facility to support program delivery.

Bail Reform

Kamloops RCMP experienced an increase in calls for service from 45,000 in 2019 to almost 47,000 in 2022. Of those calls for service, criminal code offences increased by 3,500 over the same period. Many of these calls were related to mental health issues, addiction issues, and level of homelessness are a common theme with many missing person files. These investigations are challenging as those closest to these missing individuals are often difficult to locate. These investigations can be costly and resource intensive.

In response to rising case files per member, Council authorized an increase in the number of authorized RCMP members. For 2024, the budgeted target is 138 members, an increase of nine members over the previous budget level of 129. At the current estimated cost of \$225,000 per member, this equates to a \$2.0 million budget increase.

This increased amount does not account for the municipal support employees and facilities requirements needed to support a growing RCMP contingent. It should be noted that rapid population growth in Kamloops would have resulted in the need for additional policing resources regardless, but the timing was accelerated due to the rising caseload.

Changing Policies Towards Substance Use and Safe Supply Access

These policies impact the overdose crisis and the overall community. They add to the cost of delivering City services across multiple departments, as outlined in the medical response section.

WorkSafeBC Regulation Changes

Mental Health/Psychological

In 2012, WorkSafeBC introduced amendments to the *Workers Compensation Act* recognizing the impact of traumatic workplace events. These types of events have grown over the years as the impacts of mental health and psychological conditions are becoming more prevalent in the workplace, increasing psychological injuries.

The cost of a psychological injury in 2021 was \$220,270, which is five times more than a physical injury. As the number of accepted psychological injuries is increasing, the City has responded by providing various resources around mental health through benefits and an employee and family assistance program.

In support of these changing developments, the City has developed a wellness committee that focuses on mental and physical health. Through this committee, the City completes a Workplace Mental Health Essentials Canada to review where the city is currently at regarding mental health and to provide some guidance on the next steps to become a psychologically safe workplace.

Asbestos Certification and Licensing

WorkSafeBC introduced more stringent requirements for additional training with asbestos, which led to increased training for staff and contractors. These are all positive changes from a safety perspective but come with a cost to the City. The regulation changes required any City staff who handle asbestos or oversee contractors who handle asbestos to take additional training.

Of the staff who handle asbestos, 38 have achieved in level 1 certification at a total cost of \$4,500, and two staff have achieved level 3 certification at a total cost of \$3,000. Level 1 training is one full day, level 2 training is three full days, and level 3 training is one full day. Completion of levels 1 and 2 is a prerequisite for level 3.

In these circumstances, there is an additional cost to the City, either for employees who, while receiving training, are not available to deliver on City services or for contractors who, with training, pass this time on to the City as part of the overall cost to deliver the work that they are undertaking.

Traffic Control

The updated Traffic Management Manual (2020) required flashing arrow boards to be added to the tops of 25 City vehicles. Each of these arrow boards costs approximately \$3,000, for a total spend of \$75,000. Another requirement with the new regulations is the use of portable traffic signals. The City needed to purchase two portable traffic signals for \$57,500 each. In addition to these capital costs, any projects which require traffic control are seeing cost increases due to the new regulatory requirements.

Adding to overall safety awareness, in 2021, the change in requirements to provide a more stringent level of traffic control led to an increase in training requirements for training, staff time on site for assessments, and overall projects costs. These are all positive changes from a safety perspective but come with a cost to the City.

Other Financial Impacts

Employer Health Tax

Effective January 1, 2020, the provincial government introduced the employer health tax as a replacement for the previous premium-based BC Medical program. The BC Medical premium was a fixed amount per person, or couple as opposed to a percentage allocation based on total payroll. The City’s annual payroll is more than the \$1.5 million threshold that results in the provincially mandated tax rate of 1.95% of gross salaries and wages.

	2019	2020	2021	2022	2023
BC Medical	\$516,800				
Employer Health Tax	-	\$1,224,336	\$1,295,694	\$1,391,639	\$1,440,000
Difference Over 2019	-	\$707,536	\$778,894	\$874,839	\$923,200

When introduced in 2020, organizations with an annual payroll of less than \$500,000 were exempt from paying the employer health tax. As a result, many of the larger organizations, such as municipalities, were placed in the position of carrying the cost burden of these smaller businesses. This impact is expected to continue and to grow, proposed legislation changes for 2024 are expected to see the exemption limit double to organizations with an annual payroll of less than \$1.0 million.

Provincially Legislated Five Paid Sick Days

In addition to the number of sick days identified in the City of Kamloops collective agreement with CUPE Local 900, at the start of 2022, the Province legislated five sick days for staff who are not part of the union. The cost to the City in 2023 was \$24,467.

BC Carbon Tax

Since 2008, the provincial carbon tax has been applied to the purchase or use of fossil fuels, such as gasoline, diesel, natural gas, heating fuel, and propane. The carbon tax is collected at the fuel’s point of retail consumption. In 2008, the BC carbon tax rate was calculated based on



\$10 per tonne of carbon dioxide equivalent emissions (tCO₂e) produced at combustion. In 2023, the rate used by the Province and the federal government is \$65/tCO₂e.

Carbon Tax Rate by Fuel Type by Year

Fuel Type	2019	2020	2021	2022	2023
Gasoline (\$/L)	\$0.089	\$0.089	\$0.099	\$0.110	\$0.143
Diesel (\$/L)	\$0.102	\$0.102	\$0.117	\$0.130	\$0.169
Natural Gas (\$/GJ)	\$1.99	\$1.99	\$2.31	\$2.56	\$3.24

Gov.BC.ca/Assets/Download/2B773FE65B2E4370A4369A92311CA780

Carbon Tax Cost on Operations by Fuel Type by Year

Fuel Type	Average Consumption /Year*	2019	2020	2021	2022	2023
Gasoline \$/L	400,000 L	\$35,600	\$35,600	\$39,600	\$44,000	\$57,200
Diesel \$/L	930,000 L	\$94,860	\$94,860	\$108,810	\$120,900	\$157,170
Natural Gas \$/GJ	81,433 GJ	\$162,072	\$162,072	\$188,110	\$208,468	\$263,843
Total Carbon Tax Estimate		\$292,532	\$292,532	\$336,520	\$373,368	\$483,213

*Average consumption volume has been kept flat to show the impacts of the change in the carbon tax on operations.

Based on the estimates in the table above, carbon tax represents \$483,213 of the \$3,329,400 paid for fossil fuels used in the delivery of municipal services in 2023. These carbon tax expenses are partially offset by the \$325,000 of revenue the City receives through the Local Government Climate Action Program.

The Local Government Climate Action Program replaced the former Climate Action Revenue Incentive Program that was retired in 2021 and effectively reimbursed 100% of the carbon tax paid by municipalities for publicly reporting their annual greenhouse gas emissions.

This taxation impact on the City is expected to grow and increase as planned increases have already been identified at the provincial and federal government levels. As of April 1, 2024, the carbon tax rate increased by 23.0% from \$65 to \$80 per tonne.

Various Permitting (or Licensing)

Part of the ongoing relationship between City staff and other ministries of both governments or other government agencies is working within the regulatory and compliance requirements that are in place. Many of the requirements result in the need to secure “permission” before performing specific project works.

In many of these situations, delays are encountered in securing the completed permit in a timely manner. In some instances, these delays extend over many months and even years and, as a result, increase the project’s costs due to these delays. In addition to this cost increase, there is a domino effect where the delay in one year will impact future years’ project timing, priorities, funding, and access to resources.

The financial impact of these forms of delays is difficult to measure as inflationary impact due to supply and demand, supply chain issues, and contractor availability all contribute to cost increase caused by permitting delays.

Regulations

Enhanced enforcement of regulations has led to higher project costs as we comply with building permitting, the *Heritage Conservation Act*, and the *Wildlife Act*.

Changes to existing regulations affect our ongoing operations, as staff need to ensure compliance with the regulations and change existing capital plans where they no longer fit the regulations. Changes in regulations for things like wastewater, organic matter, drinking water, and privacy require a lot of internal and external resources to ensure we are continually compliant. In cases such as the Commercial Vehicle Safety Enforcement hour of work regulation changes, it affects how we can meet our service level within our approved staffing.

While many of the regulatory changes are resulting in a positive impact on City operations, particularly those that help provide a safer working environment for the nearly 1,000 employees, others do not. Introduction of the employer health tax and the bc carbon tax add to the City’s overall costs, and while they are intended to provide a greater value to the Province, they leave little being returned to the municipality.

Legislative and Regulatory Framework	
Summary of Identified Costs	
RCMP	\$2,030,000
Asbestos Training	\$185,000
Traffic Management	\$132,500
Employer Health Tax	\$3,284,469
Provincially Mandated Five Paid Sick Days	\$24,467
BC Carbon Tax	\$206,581
Total	\$5,863,017

Property Taxation Policy and Partnering

Supportive Housing Exemption

In addition to statutory and permissive exemptions, eligible properties designated as supportive housing (Class 3) are assessed at a nominal value and are effectively exempt from property taxes.

The Province created this property class pursuant to the *Small Business and Revenue Statutes Amendment Act, 2008*. This exemption is applied to 19 Class 3 properties. It is difficult to project what the assessed value and corresponding taxes of these properties would be.



Provincial Partnership in Municipal Upgrades

In many instances when City infrastructure is being revitalized, such as work recently completed on the Victoria Street West corridor, partnerships with Crown agencies or private companies result in increased costs to the City. Many of these agencies benefit from activities like installing infrastructure underground instead of maintaining it overhead or relocating their infrastructure to provide easier access. In many of these situations, there is no fair consideration of the value the third party provides. In these situations, the City identifies an overall fully funded budget to deliver the project uninterrupted.

This situation also exists when Crown agencies upgrade their infrastructure and restore the location. However, rather than restoring the area to a preferred standard, these agencies restore to a like-for-like deliverable instead. For example, instead of installing curb, gutter and sidewalk to current design standards, they replace it to the same standard curb as the existing outdated infrastructure.

Emerging Services

Implementation of Surrey Policing Service

Kamloops is a large municipality in relation to the surrounding communities and as a result, the city has the largest comparative contingent of RCMP members in the Thompson region. This allows for additional specialty members, such as a dog team, identification and forensic specialists, and emergency response team members. The Kamloops RCMP Detachment also has two provincially funded forensic members.

These specialty members are expected to cover the entire Thompson region and are often tasked outside the community to support smaller municipalities and rural areas. There is currently no cost-sharing initiative to support this central resource, so the City bears an outsized portion of the carrying costs for these shared resources.

The City of Surrey is transitioning from the RCMP to a municipal police force. Surrey has had the largest RCMP contingent in the province, so its departure will have a significant, although currently unknown, impact on ongoing operations. For example, ticket revenue for the province is pooled and paid to member communities through a pro-rata allocation based on member full-time equivalents. Surrey's pending transition from the RCMP will decrease the RCMP's total full-time equivalents and likely reduce the total ticket revenue collected and distributed. The City has already experienced a \$100,000–\$150,000 per year reduction in ticket revenue.

On the contract cost side, the impacts of Surrey's departure on divisional overhead, recruitment, and training expenses remain unknown. These costs are also allocated based on the full-time equivalents model, with an expectation that with fewer province-wide full-time equivalents to allocate against, the City would see an increase in the cost per member.

Future Impacts

Orphan Dikes

During flooding, mainly in the 1970s, many dikes were constructed on an emergency basis and not to applicable standards. Responsibility for these dikes was never established, and they became known as orphan dikes. In 2020, the Province contracted a consultant to assess all orphan dikes in BC.

The estimated cost to upgrade the orphan dikes within Kamloops' jurisdiction was \$115 million. We can assume that the cost has drastically increased with the inflation of construction services. If the Province continues with the strategy of assigning responsibility for orphan dikes to local governments, the cost and liability of this assignment would be immense.

Dams (Inherited)

During its amalgamation, the City of Kamloops inherited several small dams operated by the BC Fruitlands Irrigation District. The City has never used or operated these dams but is responsible for their liability.

The current cost estimate for decommissioning these dams is \$5 million, and this estimate is included in both the 2027 and 2028 water utility capital budgets. There are ongoing discussions with the Province and Tk'emlúps te Secwépemc to find more cost-effective and less environmentally disruptive options.

Childcare

As the demand on working parents increases, local governments have started to be drawn into the area of childcare. As Kamloops continues to grow, there is a need to support current municipal employees, other residents, and future residents. This concern may materialize in several ways. Subsidized childcare services may be provided, property or venues may be identified and provided, or local government may take on the responsibility of filling the gaps in the marketplace. Any costs associated with childcare are unknown until the details and nature of the programs and responsibilities are known.

With the ChildCareBC New Spaces Fund, 100% of project costs are covered if the applicant and landowner is a local government, Indigenous organization or governing entity, or a public body such as a health authority, board of education, post-secondary institution, or Crown Corporation. However, only 90% of project costs are covered if the applicant and landowner is a non-profit entity or independent school. This places additional pressure on the City to sponsor applications and provide land.

Sustainability

In March 2021, the Province redefined and introduced new 2030 emissions targets within four target sectors to meet provincial greenhouse gas targets. Many of these targets transcend the service activities of the municipality.

These changes to the provincial emissions targets align with the federal 2030 Emissions Reduction Plan. The plan reflects input from provinces, territories, Indigenous Peoples, the Net-Zero Advisory Body, and interested Canadians on what is needed to reach Canada's more ambitious climate target of 40%–45% emissions reductions by 2030.

In October 2023, amendments to the *Zero-Emission Vehicles Act* implemented accelerated sales targets for new light-duty vehicles sold in BC, which were initially announced in the CleanBC Roadmap to 2030, so that 26% of light-duty (cars and trucks) vehicle sales in the province are zero-emission vehicles, 90% by 2030, and 100% by 2035.

The *Canadian Net-Zero Emissions Accountability Act* sets out Canada’s commitment to achieving net-zero emissions by 2050. The act ensures transparency and accountability as the government works to deliver on its targets and requires public participation and independent advice to guide the Government of Canada’s efforts.

While there are currently revenue streams providing funding to either the federal or provincial governments through the carbon tax, the level of revenues that are anticipated to be collected is greatly outpacing the amount of funding being provided back to local governments to support the implementation of these program and help achieve the emissions targets. This shortfall in funding is going to be required to meet the targets, and unless there is a change in the funding allocation from higher levels of government, it is going to fall on the local governments to identify funding opportunities.

BC Carbon Tax

In 2024, the BC carbon tax as a component to consumable fuels is expected to increase to \$0.1761 per litre for gasoline and \$0.1525 per m³ of natural gas consumption. Under the current government, this form of taxation is expected to triple by 2030. For this impact, average consumption volume has been kept flat to show the impacts of the change in the carbon tax on operations.

BC Carbon Tax Rates

	2024	2025	2026	2027	2028
Gasoline \$/L	0.1761	0.2091	0.2422	0.2752	0.3082
Diesel \$/L	0.2074	0.2462	0.2851	0.3239	0.3628
Natural Gas \$/GJ	4.0951	4.8631	5.6311	6.3991	7.1671

BC Carbon Tax Cost on Operations

	Estimated Volumes	2024	2025	2026	2027	2028
Gasoline L	400,000	\$70,440	\$83,640	\$96,880	\$110,080	\$123,280
Diesel L	905,000	\$187,697	\$222,811	\$258,016	\$293,170	\$328,325
Natural Gas GJ	84,378	\$336,324	\$399,398	\$462,473	\$525,548	\$588,622
Total Carbon Tax Estimate		\$664,901	\$789,489	\$914,248	\$1,038,878	\$1,163,507

Occupational First Aid

The requirement for the number of staff trained in Level 1 and Level 2 first aid will change at the end of 2024. This change will require the City to train more staff in Level 1 first aid. In 2024,

there are 16 first aid courses scheduled, each costing \$1,200, for a total of \$19,200. The training requirements will continue in future years.

Future Impacts	
Summary of Potential Costs	
Orphan Dikes	\$115,000,000
Dams	\$5,000,000
BC Carbon Tax	\$2,194,548
First Aid	\$19,200
Total	\$122,213,748

SUMMARY

Policy changes at both senior levels of government over the past five years have resulted in many impacts on local governments. In addition to these changes, the overall social and economic environments have added new challenges that are needing to be addressed by local governments. In some situations, the relationship between cause and effect is apparent and obvious, while in other situations, the impact is more challenging to identify and quantify.

As local government service delivery is placed on the front line to address the community’s concerns, municipalities must find ways to meet new or changed regulatory requirements and address the growing gaps in services of other levels of government.

The following table summarizes the costs for each impact area from higher-level government policy changes or the expanded role that the City has had to undertake. The costs that the City has been able to quantify are included; however, as noted throughout the report, many significant impacts are not possible to quantify.

Identified Costs	
Gaps in Service Delivery	\$3,811,000
Senior Government Services Shortfalls	\$3,454,000
Legislative and Regulatory Framework	\$5,863,017
Property Taxation Policy and Partnering	Unknown
Emerging Service	Unknown
Future Impacts	\$122,213,748
Total	\$135,341,765

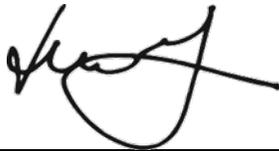
These costs have created and are likely going to continue to create an ongoing financial challenge for the City and provide opportunities to build partnerships with senior government to



explore improved co-operation and coordination and expand access to funding provide stable and predictable funding solution that does not lie solely on the municipal tax-payer.



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