



INFORMATION ONLY COUNCIL REPORT
Financial Services
For the November 19, 2019 Committee of the Whole Meeting

DATE: November 7, 2019
TO: Paul Gipps, CAO
FROM: Warren Everton, Director of Financial Services/CFO
RE: Budget 2020 Reserve Funds Overview and Update

STRATEGIC PRIORITY OBJECTIVE:

2019 Strategic Priorities identified infrastructure projects within the Community Safety Pillar. Maintaining, upgrading and replacing critical assets is an integral part of Community Safety and Reserves are the building blocks of these priorities.

BACKGROUND:

The last reserve workshop took place at the Committee of the Whole on May 21st, 2019. At that workshop Finance reported on:

- The reserve fund policy and priority ranking
- Requirement for CFO to conduct an annual review
- Maximum and minimum reserve balances
- Types of reserves held by the City
- Reserve planning and link to the Capital Budget
- The need for an Asset Management Plan (AMP)
- Audited Reserve ending balances 2018 vs projected balances 2019
- Comparison of the City's reserve balance to assets, revenues and debt levels
- Comparison of reserve balances to other medium size cities
- Comments on the overall health of critical reserves

The 2019 projects are well underway, with our eye turning to the 2020-2029 plan. This workshop is designed to take another look at the City's preparedness for the information in the 10-year capital plan.

Looking at the planning process, we find that capital planning begins first with public safety as the highest priority followed by level of service needs and then maintenance needs. Building reserves in anticipation of priorities and needs is critical to the affordability and tax burden. This is where an Asset Management Plan (AMP) is crucial to identifying, tracking and ultimately replacing

assets. Management is currently working with a local consultant to formulate the AMP and update our data. An overview of the planning process will be presented to Council at a later meeting.

Many local governments similar in size to West Kelowna have long established and well funded reserves due to the length of time they have been collecting them. West Kelowna, being an 11-year-old City has not had much time to build reserves but ultimately that process never ends. Essentially the City's plan has been to reach an equilibrium point where usage does not deplete reserves before they can be replenished for subsequent projects. The following is a table that compares some statistics of similar sized cities for the 2017 financial statement-reporting period.

2018	Vernon	Penticton	Campbell River	Mission	West Kelowna
Comparative Financials					
Financial Assets	109,408,000	102,938,162	93,176,792	114,000,691	75,181,429
LT Debt					
General	4,061,000	22,881,203	5,303,754	4,437,436	7,326,941
Water	0	6,628,056	7,044,077	0	6,795,062
Sewer	11,314,000	4,864,417	560,997	0	6,858,414
Total Debt	15,375,000	34,373,676	12,908,828	4,437,436	20,980,417
Tangible Capital Asset Total	575,083,000	322,516,179	260,436,041	471,889,230	358,887,030
Total Revenue	77,211,000	119,761,857	70,677,700	86,286,715	62,293,677
Savings					
Annual Surplus	12,181,000	9,208,340	6,046,452	9,594,463	5,152,335
Reserve total	59,965,000	63,760,518	48,105,615	64,157,680	29,966,028
DCCs	13,086,000	15,567,283	10,885,296	11,108,279	16,718,109
Total Savings	85,232,000	88,536,141	65,037,363	84,860,422	51,836,472
Ratio of Savings to Financial Assets	77.9%	86.0%	69.8%	74.4%	68.9%
Ratio of Savings to TCAs	14.8%	27.5%	25.0%	18.0%	14.4%
Ratio of Savings to Revenue	110.4%	73.9%	92.0%	98.3%	83.2%

FINANCIAL IMPLICATIONS:

In many ways, the observations and recommendations remain the same as what was presented in May. As we approach budget deliberations for 2020 it is apparent that CWK's infrastructure needs over the next ten years will stress reserves further than what has been previously projected. As the community grows and critical assets age our overall risk to level of service increases. It may be time to start looking at an infrastructure levy similar to what Vernon and Kelowna have implemented in the last few years.

REVIEWED AND APPROVED BY:

Tracey Batten, Deputy CAO/Corporate Officer
Paul Gipps, CAO

Powerpoint: Yes No

Attachments:
Schedule 1 – Reserve Balances with Max & Min