



COUNCIL REPORT  
Financial Services  
For the November 26, 2019 Council Meeting

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DATE: November 8, 2019  
TO: Paul Gipps, CAO  
FROM: Warren Everton, Director of Finance, CFO  
RE: Turf Mowing Equipment Short-term Borrowing

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**RECOMMENDED MOTION:**

**THAT** the Council of the City of West Kelowna authorizes up to \$365,000 be borrowed, under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of Turf Mowing Program Equipment Purchase ; and

**THAT** the loan be repaid within 5 years, with no rights of renewal.

**RATIONALE:**

Staff have completed a detailed business case showing the cost effectiveness of moving the mowing regime from a contracted service to in-house. The purpose of this resolution is to authorize the borrowing for the equipment purchases.

**LEGISLATIVE REQUIREMENTS:**

Section 175 of the *Community Charter* facilitates short-term borrowing for equipment financing through the Liability under Agreement process. The requirements of the process include an application to the Municipal Finance Authority for short-term borrowing, the council report, a confirmation that the project has been included in the financial plan and a liability-limiting certificate.

**BACKGROUND:**

The business case from staff provided detail on the history of Parks mowing and grounds maintenance. Periodically, it has been staff's practice to conduct a review of contracted costs verses what it would cost for City staff to provide the service.

The current mowing contract expires at the end of November 2019 after a five-year service period. It is also staff's practice to issue the Request for Proposals well in advance of the contract expiring to give interested contractors lots of lead time for competitive bidding. In May 2019 the RFP was issued with 16 proponents downloading the documents. Five were from out of province, five from the lower mainland, one unknown and five were local. It is worth noting that the City of West Kelowna's quantity of mowing is considered large and presumably only larger well equipped

contractors would bid. There currently is not a contractor of that size in West Kelowna proper. The City only received one competitive bid meeting specifications.

Two business cases were written analyzing the option to bring the turf mowing in-house on a five-year trial basis. The plans outlined an increase to seasonal staff by five (two mower operators and three seasonal labourers) as well as adding a foreman to alleviate the span of control issue with the increase in staffing. Supplemental requests have been completed and added to the 2020 Draft Financial Plan to be presented to Council in December. Overall, the business cases showed that there was close to \$80,000 per year in potential savings to be achieved by moving from the contractor model to an in-house model.

**FINANCIAL IMPLICATIONS:**

The comparison of leasing vs purchasing vs contracting is depicted in the table below. The annual servicing cost on the loan is approximately \$77,000 per year for five years and the City will see a savings of \$237,249 over the next three years.

<b>Year</b>	<b>Contractor Mowing Program</b>	<b>Lease Option Program</b>	<b>MFA Purchase Program</b>	<b>Purchase Savings over Contractor</b>	<b>Purchase Savings over Lease</b>
2020	\$435,173.30	\$361,614	\$357,651	\$77,522	\$3,963
2021	\$443,876.76	\$368,846	\$364,804	\$79,073	\$4,042
2022	\$452,754.29	\$376,223	\$372,100	\$80,654	\$4,123
<b>TOTAL</b>	<b>\$1,331,804</b>	<b>\$1,106,683</b>	<b>\$1,094,555</b>	<b>\$237,249</b>	<b>\$12,128</b>

**ALTERNATE MOTIONS(S):**

**THAT** the Council of the City of West Kelowna not authorize up to \$365,000 be borrowed, under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of Turf Mowing Program Equipment Purchase

**REVIEWED AND APPROVED BY:**

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

Powerpoint: Yes  No