



COUNCIL REPORT
Financial Services
For the February 25, 2020 Council Meeting

DATE: February 12, 2020
TO: Paul Gipps, CAO
FROM: Warren Everton, Director of Financial Services/CFO
RE: Draft 2020 – 2024 Financial Plan and Ten Year Capital Plan

RECOMMENDED MOTION:

THAT Council give 2nd reading as amended and 3rd reading to the “City of West Kelowna Financial Plan Bylaw 0271, 2019”, with the tax rate increase set at 4.8%.

EXECUTIVE SUMMARY:

During Budget deliberations in December Council set the 2020 tax requisition at 4.8% after review of the Supplemental, FTE and Capital requests. Originally included in this taxation level was an estimate for non-market growth at 2% and in January we received the actual growth figure, which came in at 1.44%. Accounting for this change and keeping the tax increase at 4.8% requires a tax requisition of \$35,088,630, which is \$184,850 less than the requisition estimated at first reading.

	Actual Growth
	1.44%
	2020
Previous Year	33,009,059
Growth	475,330
Budget Increase	1,584,435
Current Taxes	\$ 35,068,825
Total Increase	6.24%
Less Growth	1.44%
Net Tax Increase	4.80%

LEGISLATIVE REQUIREMENTS:

The *Community Charter* section 165 requires a municipality to adopt a five-year financial plan by bylaw. The financial plan must set out the proposed expenditures, funding sources and the proposed transfer to or from funds. The financial plan bylaw must be adopted prior to the adoption of the annual property tax bylaw and both bylaws must be passed before May 15th of each year. The financial plan lists the revenues and expenses, which ultimately determines the tax requisition and rates and may be amended at any time.

BACKGROUND:

Annually the City of West Kelowna must develop a financial plan representing the operating and capital expenditure plans for the next five years. West Kelowna goes a step further and produces a ten-year capital plan derived from a number of long-term departmental planning documents. The 2020 Financial Plan embraces Council strategic priorities and supports the City's vision. The Financial Plan, as presented, is balanced at a level that maintains core services, meets Council's strategic direction and funds contractual expenditures.

The Draft 2020-2024 Operating and 2020-2029 Capital Plans were presented to Council for first reading on December 10th and 16th, 2019. The Operating Plan proposed a 4.8% tax increase, which diverged from previous years but was required to continue to fund the previous year's approved supplemental requests as well as the current year's needs. At the time of first reading, assessment growth had been estimated at 2% but since then the Completed Assessment Roll was published by BC Assessment, which listed West Kelowna growth at 1.44% for 2019. This estimate reduction was incorporated into the budget by decreasing discretionary funds by \$184,850. The total available discretionary funds now sits at \$219,038 and are depicted in the following summary.

<u>GENERAL FUND</u>		
Non-FTE Supplemental Requests		85,740
FTE Supplemental Request	8.75	837,836
Total Requested	8.75	\$ 923,576
Subtotal Supplemental requests supported - General Fund	8.75	\$ 923,576
Discretionary Funds Available for 2020 at 4.8%		(251,033)
Remaining discretionary Funds 2019		(141,708)
Estimated Operating Surplus as per the 2019 Budget		(300,000)
First Year Salary saving		(132,873)
Savings from Vacd Truck		(75,000)
Already in 2020 Operating Budget (Turf Contract)		(242,000)
For Council consideration:		
Net Affect on Discretionary funds (Surplus) Deficient	8.75	(219,038)

Another change from the first reading summary involves the Turf Mowing equipment financing payments. The amount of \$77,000 was previously on the preceding summary reconciliation as a reduction to discretionary funds but was removed in this version since the payments are more appropriately funded from the equipment reserve.

During first reading of the Financial Plan Bylaw, staff advised Council on a number of options for discretionary fund usage including reducing taxes, transferring to reserves, holding as a contingency or rolling over into the following year's discretionary funds. The following chart provides a few tax rate scenarios and their affect on the previous chart's discretionary fund balance.

Tax Rate %	4.8	4.75	4.5	4.14
Discretionary Fund Reduction	0	16,505	82,523	219,038
Discretionary Fund Balance	219,038	202,533	136,515	0

Capital and Reserves

The Ten-year Capital Plan has been updated in the interim period between first and second reading of the financial plan bylaw. These changes include delay of the Memorial Bike Skills Park project (request C2020-22) until 2021 as well as a reduction in the cost of the City Hall project (request C2020-42). When the Capital Plan was first developed the project was listed at \$2 million greater than the current estimate of \$18 million. Funding for the design and drawings were originally envisioned to come from the main Statutory Capital Reserve as apposed to the City Hall Facility Reserve. This reduction is a welcome pressure relief to the Capital Reserve and the remaining funding is now consistent with the recent City Hall borrowing bylaw report.

This Financial Plan summary pages now include the capital projects that Council approved on December 16th along with the associated funding for each project.

COUNCIL REPORT/RESOLUTION HISTORY:

Date	Report Topic/Resolution	Resolution No.
December 16, 2020	<p>THAT Council direct staff to incorporate the supported supplemental budget requests, capital projects, additions and deletions into the City of West Kelowna's Financial Plan for 2020-2024; and,</p> <p>THAT Council give first reading to City of West Kelowna 2020-2024 Financial Plan Bylaw No. 0271, 2019.</p>	Bylaw 0271, 2019

Schedule "E"

The attached 2019 Capital Carry Forward Schedule includes all capital carry forwards, which have been added to the 2020 financial plan. These projects have been funded from reserves, authorized by Council in previous years but have not been completed. In some cases, the work was completed in 2019, but invoices were not received by our cut-off timeline. A portion of the work may have been completed, however, for Public Sector Accounting Standards (PSAS) reporting, all work done is categorized as work in progress and the total budget is deemed to have been carried forward.

ALTERNATE MOTIONS(S):

THAT Council postpone consideration of 2nd reading and 3rd reading to the City of West Kelowna “Financial Plan Bylaw 0271, 2019” with the tax rate increase set at 4.8%.

Or **THAT** Council give 2nd reading and 3rd reading to the City of West Kelowna “Financial Plan Bylaw 0271, 2019” with the tax rate increase set at a different rate.

REVIEWED AND APPROVED BY:

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

Powerpoint: Yes ☒ No ☐

Attachments:

Bylaw No. 0271, 2019 Financial Plan

Schedule A1 Consolidated 2020 -2024 Financial Plan Revenue

Schedule A2 Consolidated 2020 -2024 Financial Plan Expenses

Attachments included for the Report:

Schedule B1 Consolidated 2020 -2024 General Fund Revenue

Schedule B2 Consolidated 2020 -2024 General Fund Expenses

Schedule C Sewer Fund Revenue and Expenses

Schedule D Water Fund Revenue and Expenses

Schedule E Capital Carry Forward Schedule