



DATE: March 4, 2020
TO: Paul Gipps, CAO
FROM: Warren Everton, Director of Finance/CFO
RE: Draft 2020 – 2024 Financial Plan and Ten-Year Capital Plan for 3rd Reading

RECOMMENDED MOTION:

THAT Council give 3rd reading as amended to the “City of West Kelowna Financial Plan Bylaw 0271, 2019”, with a tax rate increase of 4.5%.

EXECUTIVE SUMMARY:

During the February 25th Council meeting the Financial Plan Bylaw 0271, 2019 was read a second time but the third reading was delayed. Council passed a motion that required further amendments to the Financial Plan to reflect a tax increase of 4.5% utilizing \$16,505 in discretionary funds with the balance coming from a reduction in the operating budget. The following chart summarizes the amended tax increase showing an overall reduction in the budget of \$99,027 or 0.3% of the previous year’s total tax.

	Actual Growth
	1.44%
	2020
Previous Year	33,009,059
Growth	475,330
Budget Increase	1,485,408
Current Taxes	\$ 34,969,797
Total Increase	5.94%
Less Growth	1.44%
Net Tax Increase	4.50%

BACKGROUND:

The Draft 2020-2024 Operating and 2020-2029 Capital Plans were presented to Council for first reading on December 10th and 16th, 2019 and then presented as amended for second reading on February 25th, 2020. The Operating Plan originally proposed a 4.8% tax increase, which was proposed to fund the ongoing requirements of 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 by second reading the Completed Assessment Roll was published, which listed West Kelowna's growth at 1.44% for 2019. This reduction was incorporated into the budget for second reading by reducing discretionary funds to \$219,038.

A change to the discretionary fund total reported during second reading involved the Turf Mowing equipment financing payments of \$77,000. Council questioned the funding of these payments from reserve, but after review of the Turf Mowing business case, it was apparent to staff that the comparison of costs between contracting out and the in-house program was done on a cash basis and did not reference the operating budget directly. However, there may have been an expectation that the payments or at least the interest portion of the payments were to be funded through operations.

At second reading Council directed staff to further decrease operating costs by using \$16,505 of the remaining discretionary funds as well as reducing other areas of the operating budget to bring the tax increase down to 4.5% from the proposed 4.8%. The remaining balance to accomplish the reduction was originally indicated to be \$66,017 but upon further analysis the number actually worked out to be \$82,522.

During the time since the second reading resolution, Managers were asked to review their departmental operating budgets to find areas where they could reduce ongoing spending or where there might be higher revenues than anticipated. Managers were very responsive to this request proposing ideas in a number of areas. Their understanding of the tax impact of their budgets was very apparent and appreciated. This was especially true amongst the new Managers who had inherited their budgets, but were still able to get up to speed quickly and propose meaningful changes.

Overall the review yielded a list of conservative adjustments to the operating plan including, the overall training budget, a reduction to office machine lease costs as well as anticipated exempt staff labour cost reductions due to the restructuring that was done in 2019. The following table summarizes the amendments:

Training allocation reduction across all departments	44,297
IT office machine lease expenditure reduction	18,225
Further anticipated labour savings due to 2019 restructure	20,000
Discretionary Funds applied to reduce taxes	16,505
Total	99,027

During first and second readings of the Financial Plan Bylaw, staff advised Council on a number of options for discretionary fund usage including reducing taxes, transferring to reserves, holding the funds as a contingency or rolling them over into the following year's discretionary funds. After much discussion over the three meetings and in light of the expense reductions outlined above Finance is recommending that the remaining funds totalling \$202,533 be transferred into reserve.

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
February 25, 2020	<p>THAT Council give second reading as amended to the “City of West Kelowna Financial Plan Bylaw No. 0271, 2019”; and,</p> <p>THAT Council direct staff to further amend the Financial Plan to reflect a tax rate increase of 4.5% by utilizing discretionary funds (\$16,505) and the balance to come from a reduction to the operating budget prior to consideration of third reading.</p>	Bylaw 0271, 2019 Resolution C063/20

ALTERNATE MOTIONS(S):

THAT Council give 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