



COUNCIL REPORT
Financial Services
For the December 10, 2019 Council Meeting

DATE: November 29, 2019
TO: Paul Gipps, CAO
FROM: Warren Everton, Director of Finance/CFO
RE: Draft 2020-2024 Financial Plan, Supplemental Requests, Ten-Year Capital Plan

RECOMMENDED MOTION:

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,

THAT Council give first reading to City of West Kelowna 2020-2024 Financial Plan Bylaw No. 0271, 2019.

RATIONALE:

The 2020 - 2024 Draft Financial Plan is a preliminary policy document for Council's consideration. It is a true collaboration of Staff, Management and Council, incorporating significant projects, departmental needs and expected revenue and cost inflations. The document sets in motion action plans that support Council's strategic priorities, staffing resource assessment and allocates limited resources towards the highest priority projects.

LEGISLATIVE REQUIREMENTS:

Section 165 of the *Community Charter* requires that Council adopt, by bylaw, a five-year financial plan, which must establish the City's proposed expenditures, funding sources and transfers between funds. West Kelowna has a five-year Operating Plan and ten-year Capital Plan. The Operating Plan lists the revenues and expenses, which ultimately determines the tax requisition and rates and may be amended at any time.

BACKGROUND:

The Financial Plan is a preliminary policy document for Council's consideration and reflects West Kelowna's continuing efforts to provide the highest quality of service in daily operations and local governance, as it relates to the strategic priorities and goals of the municipality.

This year the City has embarked upon a new budget process over that of the last number of years. Some of the change has resulted from discussions between our new CAO and the Finance Team where significant taxation forward in order to cover previous year's operational costs is to be avoided as much as possible. Last year Council chose to proceed with the first year of the

capacity building on the operations side of the organization by taxing only part of the costs in 2019 with the balance of the costs in falling in 2020.

On December 10th Staff will provide a partial but detailed first review of the financial plan with Council and request feedback on the proposed revenues and expenditures. Council had expressed willingness to continue deliberations the following week and a second special meeting for December 16th is being arranged. Items to note for the Financial Plan review are as follows:

Operating

- “Corporate Services” schedule page 10 (top of page) of the detailed budget has been partially split out to form “Corporate Initiatives & Communications” on page 11. This schedule is a result of the restructuring initiated by the CAO in 2019.
- Similarly, “Development Services - Development Engineering” page 24 has been split off from Development Services – Planning to provide better transparency and more accountability from departments.
- “Engineering Services – Solid Waste & Recycling” page 21 is projecting a 21% drop in service costs (\$685,092) and ultimately a similar drop in fees will be reviewed in 2020.
- Municipal Finance Authority (MFA) debt for the RCMP building has reached the tenth year of financing and has been refinanced at a lower rate saving \$218,913 in annual payments. Council may wish to increase transfers to reserve by this amount in order to keep the RCMP expenditures similar to the previous year.

Capital and Reserves

- Much of the proposed equipment expenditures (>25,000) are funded through MFA Equipment Financing short-term debt (5 year). This funding totals \$1,398,000 for the General Fund for 2020 and similarly for 2021 and equates to \$297,000 in yearly debt servicing. The one significant project in 2020 is the purchase of a new Fire Engine for \$1,056,000. The Equipment Finance Program is readily available and is well subscribed to for such projects throughout BC. It also provides a much needed pressure relief for our reserves.
- The major roads projects include:
 - Glenrosa – Glen Abbey to McGinnis for 2020 at a cost of \$6.5 million funded 72% from DCCs and the balance from the Capital Reserve
 - Gellatly Road Upgrade Phase 4 in 2021 for \$6.5 million similarly funded
 - Shannon Lake IR to Asquith for 2024-2025 at a cost of \$2.5 million similarly funded
- The significant Facilities plans include:
 - Fire Hall 32 Replacement in **2022** for \$8 million funded from debt financing.
 - Public Works Yard Construction in **2021** for \$10 million with funding of \$3 million from reserves and \$7 million from debt.
- The total Transfer to Reserves projected in the General Fund Budget is \$7,768,356, which is a \$407,505 increase or 1.3% over 2019 transfers. This represents the minimum recommended levels to keep our Capital Reserves in reasonable health.

Consolidated Total Revenues and Expenditures – Schedule A

This document shows the various components of Revenues and Expenditures of the City based on a proposed 4.8% tax increase. Please note that until direction is provided by Council on the 2020 Capital Requests, the capital expenditures and the revenue sources for these capital expenditures will not be reflected in the Draft Financial Plan. Council's direction will be requested as part of the "2020 Capital Requests" section to follow.

Supplemental Budget Requests

There are supplemental General Fund Budget requests totalling \$75,740 with \$65,740 ongoing and \$19,000 as a onetime 2020 expenditure. There is one supplemental request in utilities for \$40,000 ongoing expenditure.

Supplemental FTE Requests

There are \$882,782 in supported FTE requests with \$89,366 being funded through utility user fees. There is \$132,873 in first year savings for a net total of \$749,909 for 2020. The intention is to budget the full amount in 2020 in order to avoid transferring the burden onto the following year's taxes.

2020 Capital Plan

Capital has been organized by project type/department. The general capital plan requests total \$15,709,931 and the utility capital plan requests total \$2,578,205 for a total of \$18,288,136.

2020 Grants in Aid Requests

Finance Staff have summarized a list of the organizations that have made an application for funding, the amount of funds requested, a description of the organization and the proposed use of the grant. The total requested is \$478,256 with \$174,660 in cash grants and \$303,596 in non-cash grants. The 2019 cash grants were \$122,150 and non-cash grants were \$310,314 for a total of \$432,464. The change over 2019 equates to \$52,510 in additional requests including \$12,900 for moving the Red Cross from the Lion's Hall to their new location. The 2019 total has been carried forward to the 2020 draft financial plan and will be adjusted subsequent to Council's review of the applications.

Next Steps

In order to deliberate fully on the budget, it will be important for Council to commit to another full day or 1.5 days before the end of January. Corporate Services is currently arranging a follow up meeting December 16th for continuation of the budget deliberations.

Staff are also planning at least one Budget Open House in late January or early February to receive feedback from the public on the 2020 – 2024 Draft Financial Plan. The feedback from these sessions will be presented to Council and staff would then ask for direction on changes prior to the 2nd and 3rd readings of the Financial Plan Bylaw.

ALTERNATE MOTIONS(S):

THAT Council direct staff to incorporate the supported Capital projects, supplemental budget requests, additions and deletions into the City of West Kelowna's Financial Plan for 2020-2024; and,

THAT Council authorize a different tax increase and reduce the proposed transfer to reserve, and;

THAT Council give first reading to City of West Kelowna 2019-2028 Financial Plan Bylaw No 0263, 2019.

REVIEWED AND APPROVED BY:

Paul Gipps, CAO

Powerpoint: Yes ☒ No ☐

Attachments:

Attachment 1 – Financial Plan Bylaw 0271

Schedule A – 2020-2024 Financial Plan Summary and Financial Policies