



## COUNCIL REPORT

To: Mayor and Council

Date: January 19, 2021

From: Warren Everton, Director of Finance/CFO and  
Paul Gipps, CAO

Subject: **Draft 2021-2025 Financial Plan and Ten-Year Capital Plan**

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### RECOMMENDATION

**THAT** Council direct staff to incorporate the amended supplemental budget requests, capital projects, additions and deletions into the City of West Kelowna's Financial Plan for 2021-2025; and

**THAT** Council give second reading as amended to City of West Kelowna Financial Plan Bylaw No. 0284, 2020.

### STRATEGIC AREA OF FOCUS

Economic and financial well-being of the City of West Kelowna

### BACKGROUND

#### 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.

### DISCUSSION AND FINANCIAL IMPLICATIONS

#### From the CAO

As a follow up to the December 10, 2020 Budget Meeting with Council, staff have made a number of adjustments to the budget that will provide further options to Council as they deliberate on the 2021 projects and service levels.

In early 2020, Council made a reduction of 2% to the proposed tax increase to ease the impact of COVID-19 on the community. This about 1% (\$344,000) reduction from staffing levels going forward in addition to not filling vacancies and the other 1% from other measures. The resources held back in 2020 are now needed and are part of the draft

2021 budget. For the 2020 staffing needs we have eliminated approximately \$105,000 from the public works department thereby reducing the 2020 staffing costs brought forward in 2021 from \$344,000 to \$240,000.

Staffing needs for 2021 were initially proposed to be funded from operating at \$768,000. This is now being offset as follows. Firstly there is \$100,000 in new revenue being included and \$138,000 in salary savings netting the increase to \$530,000. Also included in the \$768,000 total was \$230,000 for staffing costs to support the many capital projects planned for the foreseeable future. \$110,000 of that capital related cost is planned for a 2-year term position. Total operational (tax) funding netted out to \$300,000.

Also related to resource costing is an efficiency through a reorganization that will bring a significant portion of our legal services in house. From this, the City will see a minimal net cost increase for 2021 and then an ongoing reduction of \$40,000 to \$50,000 to the operating budget going forward.

Continuing with efficiencies and service level improvements into 2021, the budget sees a small capital works crew beginning this year funded from contractor savings while increasing capital improvements, such as sidewalks, drainage and utilities.

The planned staffing changes will see the following areas impacted:

Development Services – Licencing/Building inspection

Engineering – Asset Management

Corporate Initiatives – Communications Term Position & Police Services Support

Finance – Accounting

Public Works – Roads and Drainage

Parks – Fleet Services

### CFO's Financial Plan Summary

During Budget deliberations in December, Council set the 2021 tax requisition at 4.75% after review of the Supplemental, FTE and Capital requests. Originally included in this taxation level was an estimate for non-market growth at 1.5% and in early January the City received the completed assessment roll with a non-market growth figure coming in at 2.2%. Accounting for this change and keeping the tax increase at 4.75% would increase the tax requisition to \$36,800,044. If Council wished to keep the tax requisition at \$36,559,184 as presented at first reading of the budget bylaw the overall tax increase would drop to 4.05%. The new Schedule A is attached to the end of this report and a short summary appears below.

<b>Financial Plan Recap Since First Reading</b>	<b>At 1st Read Dec 10</b>	<b>Proposed 2nd Read</b>	<b>Increase over 2020</b>
Base % (2020 service levels plus approved operating requests)	2.25%	2.53%	871,227
Infrastructure Allocation	1.00%	1.00%	344,086
Discretionary Funds	3.00%	2.72%	934,801
Less Growth (updated)	-1.50%	-2.20%	-756,990
<b>Net Tax Increase</b>	<b>4.75%</b>	<b>4.05%</b>	<b>4.05%</b>
<b>Total Taxation</b>	<b>36,559,184</b>	<b>36,559,184</b>	<b>1,393,124</b>

## Additions and Changes from First Reading of the Bylaw

### *Legal Department*

As reported and approved by Council at a separate meeting in late 2020, the City is creating a Legal Department, which is designed to increase its legal capacity, reduce expenses and streamline information. To establish the department, a number of expense accounts have been created, some expense accounts consolidated from other departments and a revenue account was established to apportion costs across the organization. A new schedule appears in the updated electronic budget binder and is summarized below.

<b>Legal Services Department</b>	
Wages	199,175
Legal Services	50,000
Travel & Mileage	1,000
Materials and Supplies	4,000
	254,175
<b>Funded by (in the first year)</b>	
Reductions in other departmental legal accounts	-95,000
Restructuring	-143,747
Offset to discretionary funds	-15,428
	-254,175

### *Capital expenditures and funding*

The Ten-year Capital Plan was updated in the interim period between first and second reading of the financial plan bylaw. These changes include the delay of the \$85,000 Parks Masterplan to 2022, the removal of the Hook Truck expenditure for \$100,000 and revision of the 2021 Rose Valley WTP Borrowing amount from \$23.5 million to \$18.46 million with the balance of debt applied to the 2022 Sunnyside/Pritchard Connections and West Kelowna Estates Transmission Mains. These projects had been listed as being funded from reserves and DCCs but are now correctly listed with debt and DCC funding. Total capital appears on Schedule A at \$35.6 million with \$12.2 million funded from reserves, \$4.2 million funded from DCCs and \$19.2 million allocated to debt.

### *Operating Budget and Supplemental Requests*

Discretionary funds have been updated to include the supplemental non-FTE requests totaling \$128,000 in the general fund and \$75,000 in the water fund. The new discretionary figure comes in just under \$935,000 and is proposed to be utilized to fund the 2021 staffing additions as well as the 2020 additions that were put on hold. Two of the 2021 additions are proposed to be funded from capital projects, thereby reducing the effect on the operating budget and one FTE addition is projected to be offset by an equivalent amount of revenue. The chart below summarizes the proposed changes as

described but does not reflect any potential surplus carry forward amounts from 2020. Please note that revenue figures appear as negative and expenses as positive.

<b>Supplemental Requests</b>	<b>Operating Increase/(Reduction)</b>	<b>Funded From Capital</b>	<b>Total</b>
Discretionary Funds Available	-934,801		-934,801
2020 FTEs (Net of Expenditure Review)	239,769		239,769
2021 FTEs (including 1st year savings)	527,628	-118,970	408,658
2021 Term Communications FTE	108,807	-108,807	0
Biz Licence Supervisor - reduce to ST Rental Compliance	-16,321		-16,321
Short Term Rental Licence Revenue (offsets balance of FTE)	-92,486		-92,486
<b>Adjusted Discretionary Funds</b>	<b>-167,404</b>	<b>-227,777</b>	<b>-395,181</b>

## **2020 Grants in Aid Requests** (Carried over from the December 10<sup>th</sup> Meeting)

Finance Staff have summarized a list of the organizations that have made an application for funding including the amount of funds requested, a description of the organization and the proposed use of the grant. The total requested for 2021 is \$477,933 with \$153,629 in cash grants and \$324,304 in non-cash grants. The 2020 cash grants were \$117,800 and non-cash grants were \$303,596 for a total of \$421,396.

## **Next Steps**

Staff are also planning a number of public budget consultations in early February to receive feedback from the public on the 2021 – 2025 Draft Financial Plan. These sessions will be different than the open houses conducted for the 2020 budget and will be conducted electronically. They will include a comment/question intake period with story boards available for review on the website. The feedback from these sessions will be presented to Council and staff would then ask for direction on changes prior to the 3<sup>rd</sup> reading of the Financial Plan Bylaw.

## **COUNCIL REPORT / RESOLUTION HISTORY**

<b>Date</b>	<b>Report Topic / Resolution</b>	<b>Resolution No.</b>
December 10, 2020	<p><b>THAT</b> 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 2021-2025; and</p> <p><b>THAT</b> Council give first reading to City of West Kelowna 2021-2025 Financial Plan Bylaw No 0284, 2020.</p>	<b>Bylaw 0284, 2020</b>

**Alternate Motion:**

**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 2021-2025; and,

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

**THAT** Council give second reading as amended to City of West Kelowna Financial Plan Bylaw No. 0284, 2020.

**REVIEWED BY**

Shelley Schnitzler, Legislative Services Manager/Corporate Officer

**APPROVED FOR THE AGENDA BY**

Paul Gipps, CAO

PowerPoint: Yes ☒ No ☐

**Attachments:**

Attachment 1 – 2021 Grant in Aid Listing

Attachment 2 – Financial Plan Bylaw 0284, 2020

Schedule A – 2021-2025 Financial Plan Summary