
City of Kelowna

MEMORANDUM

DATE: November 28, 2007
FILE NO: 1700-20
TO: City Manager
FROM: Director of Financial Services
RE: Historical Trends – Cost Driver Analysis

RECOMMENDATION:

THAT Council receive the report titled 'Historical Trends – Cost Driver Analysis' dated November 28, 2007 from the Director of Financial Services.

BACKGROUND AND COMMENTS:

The City of Kelowna, in recent years, has been subject to cost pressures that far outstrip percentage increases for goods and services as measured by the Consumer Price Index (CPI) for British Columbia. The All-Items CPI includes the following:

- Food
- Shelter
- Household operations and furnishings
- Clothing and footwear
- Transportation
- Health and personal care
- Recreation, education and reading
- Alcoholic beverages and tobacco products

In reality, the City includes very few of these items in its basket of acquired goods making CPI a poor relative measure for comparing cost impacts. Inflation, as represented by CPI, has traditionally been used as a comparator and target for municipal share property tax increases because of its relationship to both the homeowner's and business owner's financial well being.

Council has been diligent in maintaining tax increases that mirror inflation over a number of years. The 8 year average municipal share tax increase has been 1.97%, the exact same percentage as the CPI average for the years 2000 through 2006.

A powerpoint presentation will be provided at the December 3, 2007 meeting of Council that expands on the historical trends for a number of products and services the City procures.



As Council has previously committed to an average property tax increase of 4.91% spread over a two-year period beginning in 2008 that is specific to the aquatic facility, it is important to be cognizant of the many other cost drivers that may impact budget decisions relative to the provision of services for our community.

INTERNAL CIRCULATION TO:
LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:
LEGAL/STATUTORY AUTHORITY:
EXISTING POLICY: N.A.
FINANCIAL/BUDGETARY CONSIDERATIONS: For information
PERSONNEL IMPLICATIONS: N.A.
TECHNICAL REQUIREMENTS: N.A.
EXTERNAL AGENCY/PUBLIC COMMENTS: N.A.
ALTERNATE RECOMMENDATION: none

Submitted by:



Paul Macklem
Director of Financial Services