

Report to Council



Date: July 13, 2020
To: Council
From: City Manager
Subject: Kelowna Memorial Park Cemetery Value for Money Review
Department: Park Services – Infrastructure Operations - Civic Operations

Recommendation:

THAT Council receives for information the report from the Civic Operations Department, dated July 13, 2020, regarding the Kelowna Memorial Park Cemetery Value for Money Review.

Purpose:

To provide Council with an overview of the results from the Value for Money Review for the Kelowna Memorial Park Cemetery and to advise of next steps.

Background:

To demonstrate thorough accountability for its use of public funds, the City performs reviews of ongoing projects and programs as a best practice in support of rigorous economic governance. To ensure business elements such as financial, human, and physical resources are managed with due regard to economy, efficiency and effectiveness, Value for Money (VFM) reviews are undertaken. These audits provide an objective, professional and systematic examination of the specific operations being audited. The process involves project/program selection, establishing the specific project scope, sourcing a qualified independent professional, preparing (by the independent professional) of draft and final reports, delivery of an executive summary to the City Manager and reporting annually at the year-end Audit Committee meeting.

This review focused on Kelowna Memorial Park Cemetery (KMPC). The City of Kelowna has owned and operated KMPC since 1911. Prior to the Parks Department assuming management of the cemetery in the late 1990's, the cemetery was subsidized annually in the order of \$100,000 per year of taxation with a care fund balance of approximately \$700,000. The Parks Department developed a Master Plan and associated financing plan with a goal of self-sufficiency and including a care fund that would be enough for perpetual maintenance. With over 20,000 citizens memorialized at the site, KMPC has been a key cultural and historical asset for the City for over a century.

The purpose was to review the City's operating model, including financial self-sufficiency and capital requirements, and determine if it was in the City's best interests to continue to operate the cemetery.

Three key components of the operation were considered in the review:

- The benefits and challenges of different operating models including third party operators
- The opportunities available for the successful future operation of the cemetery, and
- Recommendations towards an improved operating model.

Findings and Recommendations:

The consultant found that the Cemetery is operating sustainably, with many best practices implemented to build upon for improvements to long term outcomes.

The majority of the work at the Cemetery, including grounds maintenance and burial services, are contracted out. Office administration and sales are carried out in-house. The consultant found that this model is working well and that payroll costs as a percentage of revenue are generally below the industry average.

Most municipal cemeteries receive taxpayer subsidies, however KMPC has had a long-standing goal of self-sufficiency in annual budgets. Under BC law, cemeteries must contribute annually to a Care and Maintenance Reserve which is intended to fund perpetual maintenance once a cemetery is fully occupied. KMPC is contributing more than the required minimum to this reserve; however, the Cemetery needs to stay open for more than 25 years to build this reserve sufficiently. The care fund has grown from approximately \$700,000 in the late 1990's to over \$3 million today. The 2015 KMPC Cemetery Master Plan contained recommendations for annual price adjustments and modeled the growth of this reserve into the future; it is recommended that these models be updated and include asset management.

KMPC is also unique in having an additional "Replacement Reserve" which is essentially a capital reserve for Cemetery improvements and development of additional products. When these voluntary contributions are excluded from annual operating statements, the Cemetery reports an operating surplus (totaling \$740,000 from 2014-2018).

Next Steps:

An update to the Cemetery business plan is currently in the 2020 budget. The consultant confirms that the business plan should be updated, with a focus on several areas:

- Update the future / predicted model for Cemetery finances, with a focus on extending the life of the Cemetery
- Better define the purpose of the Replacement reserve funds
- Develop a financial report that is transparent and highlights that the Cemetery is self-sufficient
- Consider a business plan with a "never close" scenario
- Build new performance measures and targets for revenue and long-term outcomes
- Identify additional ancillary products to increase revenue opportunities

Conclusion:

As outlined in the review, KMPC is a well-run operation and development of an updated business plan is necessary to ensure that the cemetery remains self-sufficient today and into the future while preserving a key cultural and historical asset of the City.

Internal Circulation:

Financial Services
Communications
Parks

Considerations applicable to this report:

City of Kelowna Documents

- Kelowna Memorial Park Cemetery Master Plan 2015
- Bylaw No, 11664

BC Provincial Act and Regulation

- Cremation, Interment and Funeral Services Act
- Cremation, Interment and Funeral Services Regulation

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:


Financial/Budgetary Considerations:

External Agency/Public Comments:

Communications Comments:

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Approved for inclusion:



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CC:

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