
City of Kelowna

MEMORANDUM

DATE: May 4, 2001
FILE: 1700-20
TO: Mayor and Council
FROM: City Manager
RE: **2001 FINANCIAL PLAN – AMENDMENT #2**

RECOMMENDATION:

THAT Council adopt amendment #2 to the 2001-2005 Financial Plan.

AND THAT Council approve the formulation of 2001 Property Tax Rates which will raise the required funds in 2001, from General Taxation, of \$56,274,000, resulting in an average net property owner impact of 1.86%.

BACKGROUND:

The 2001-2005 Financial Plan was adopted by Council on January 8th, 2001. Amendment #1 to the Financial Plan contained the carry-over projects and was adopted by Council in March, 2001. Amendment #2 replaces the Final Budget document and is for emergency or Council initiated projects. The timing of this amendment is to coincide with preparation of the Tax Rates bylaw.

As a result of receiving the following information, and pending Council's approval of the 2001 Tax Distribution Policy, administration has projected the 2001 municipal taxation requirements for the City of Kelowna:

- Authenticated roll totals which represent final assessment information from BC Assessment, subsequent to the Court of Revision and incorporating final new construction information.
- Additional requests from operating departments resulting from analysis of final 2000 operating results and additional projects identified since approval of the Financial Plan.

Additional Revenue Resulting from New Construction

Final new construction taxation revenues, based on the authenticated assessment roll, total \$1.37 Million or an increase of \$369,700 over the Financial Plan estimate of \$1.0 Million. The total new construction value for 2001 is \$170 million or a 2.4% assessment increase.

General Revenues

A general revenue reduction of \$74,900 results from a formula driven provincial allocation of the traffic fine revenue sharing grant. The BC Gas franchise fee has increased by \$236,900 from the 2000 level and can be considered to offset the increased natural gas cost for civic facilities.

Supplemental Operating Requests

This amendment document includes an increase of general purpose Supplemental Operating Expenditures totaling \$329,600. The Downtown Ambassador program and Glenmore Community policing are requests that were reviewed earlier with Council. Utility cost increases for civic facilities and for other agencies comprise most of the remaining operating budget requirements. A summary of the requests is included in attached Schedule 2(a).

Schedule 2(c) summarizes the Utility Fund operating requests which are mainly utility cost and debt adjustments.

Capital Program

The 2001 final capital budget includes total general purpose pay-as-you-go funding of \$12.8 Million as compared to \$12.1 Million in the 2000 Financial Plan. This increase represents approximately 50% of new construction taxation revenues which is consistent with the Council objective for maintaining the pay-as-you-go Capital Program.

The Utility Funds capital program includes provisions for sewer system expansion in the Rutland area and the Electrical component on the Pandosy project.

Net Property Owner Impact

It is important to note that, irrespective of the final taxation demand established by Council, projections of the **Municipal Tax impact** on all classes of property owners in each Property Class is based on the **average increase in the market value** of all properties within that class.

For properties experiencing a market assessment increase of greater than the average, they will experience a correspondingly higher net tax increase. Conversely, for properties experiencing either a market assessment increase of less than the average or a market assessment decrease, those properties will experience a correspondingly lower net tax impact.

It should be noted that the Provincial Homeowner Grant has remained at the same level since 1993. The maximum that can be claimed is \$470 for homeowners under 65 years of age and \$745 for those 65 and over.

Conclusion

The recommendation for a net property tax increase averaging 1.86% is considered necessary to maintain or increase the level of services that the citizens of Kelowna continue to enjoy. The 2001 Financial Plan provides a balance between the City's servicing requirements and the impact of a taxation increase.

This compares to the taxation increase of 1.90% projected at adoption of the Financial Plan.

R.A. Born

Cc: All City Directors
Deputy Director of Finance