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City of Kelowna

**MEMORANDUM**

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DATE: May 2, 2002  
FILE: 1700-20  
TO: Mayor and Council  
FROM: City Manager  
RE: **2002 FINANCIAL PLAN – AMENDMENT #2**

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**RECOMMENDATION:**

**THAT** Council adopt amendment #2 to the 2002-2006 Financial Plan.

**AND THAT** Council approve the formulation of 2002 Property Tax Rates which will raise the required funds in 2002, from General Taxation, of \$58,945,000, resulting in an average net property owner impact of 1.65%.

**BACKGROUND:**

Council approved the 2002-2006 Financial Plan on December 13<sup>th</sup>, 2001. Amendment #1 to the Financial Plan contained the carry-over projects and was adopted by Council on March 18th, 2002. 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.

Administration has projected the 2002 municipal taxation requirements for the City of Kelowna as a result of receiving the following information:

- Authenticated roll totals, which represent final assessment information from BC Assessment, subsequent to the Court of Revision and incorporating final new construction information.
- Council approval of the 2002 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2001 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 \$1.74 Million or an increase of \$543,000 over the Financial Plan estimate of \$1.2 Million. The total new construction value for 2002 is \$215.9 million or a 2.9% assessment increase.

### General Revenues

A general revenue increase of \$77,270 results from payments in lieu of property taxes for utilities and an increase in the provincial allocation of the traffic fine revenue sharing grant.

### Supplemental Operating Requests

This amendment document includes an increase of general purpose Supplemental Operating Expenditures totaling \$184,800 (net \$107,550 after general revenue increases). Expenditure changes for transit costs, salary load costs, YM/YWCA 2001 deficit and an appropriation to the Parks Development Reserve are partially offset by increased transit and tax administration revenues. A summary of the requests is included in attached Schedule 3(a).

Schedule 3(b) summarizes the Utility Fund operating requests, which are mainly debt adjustments and the budget for the new natural gas utility.

Schedule 3(c) outlines the expenditure reduction in utilities for their debt requirements.

### Capital Program

The 2002 final capital budget includes \$379,380 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$13.7 Million as compared to \$12.8 Million in the amended 2001 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 north industrial area and for the Byrns/Baron trunk extension. There is also a Water system communications request and an Electrical utility upgrade 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.

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 1.65%** is considered necessary to maintain the level of services that the citizens of Kelowna continue to enjoy. The 2002 Financial Plan provides a balance between the City's ongoing servicing requirements and their delivery in a fiscally responsible manner.

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R.A. Born

Cc: All City Directors  
Deputy Director of Finance