
City of Kelowna

MEMORANDUM

DATE: May 1, 2003
FILE: 1700-20
TO: Mayor and Council
FROM: City Manager
RE: **2003 FINANCIAL PLAN – FINAL BUDGET**

RECOMMENDATION:

THAT the 2003-2007 Financial Plan be approved by Council and Bylaw No. 9027 (Five Year Financial Plan, 2003-2007) be advanced for reading consideration by Council;

AND THAT Bylaw No. 9028 (Tax Structure Bylaw, 2003) and Bylaw No. 9029 (Annual Rates Bylaw, 2003) be advanced for reading consideration to set the tax rates for 2003 Property Taxes, formulated to raise \$62,236,000 from General Taxation, resulting in an average net property owner impact of 1.90%.

BACKGROUND:

Council approved the provisional 2003 Financial Plan on January 20th, 2003, after review of the budget information on January 7th. The Financial Plan was increased on March 24th to include the carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2003-2007 Financial Plan. The timing of the Financial Plan preparation is to coincide with preparation of the Tax Rates bylaw in accordance with the Local Government Act.

Administration has projected the 2003 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 2003 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2002 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 \$2.17 Million or an increase of \$419,000 over the Financial Plan estimate of \$1.75 Million. The total new construction value for 2003 is \$303.4 million or a 3.9% assessment increase.

General Revenues

A general revenue increase of \$69,500 results from increasing the BC Gas franchise fee revenue by \$169,500 offset by an appropriation to a new Franchise Fee Equalization Reserve of \$100,000.

Supplemental Operating Requests

The Final Budget document includes an increase of general purpose Supplemental Operating Expenditures totaling \$270,690 (net \$201,190 after general revenue increases). Expenditure changes for utility costs, Parks maintenance and transit costs are further increased by a reduction in Police recoveries. A summary of the requests is included in attached Schedule 3(a).

Schedule 3(b) summarizes the five operating projects “starred” by Council at the Provisional Budget review. These projects remain as priority 2 requests and are not included in the Final Budget totals.

Schedule 3(c) outlines the expenditure reductions in the Police Department for the change of contracting the Prisoner Supervision function and a provision for one RCMP member vacancy. Total expenditure reductions are \$230,590.

Schedule 3(e) summarizes the Utility Fund operating requests, both of which are utility cost related.

Capital Program

The 2003 final capital budget includes \$275,000 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$14.8 Million as compared to \$13.7 Million in the 2002 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.

There is one priority 2 capital project from Provisional Budget included for further consideration by Council but not included in the total.

The Utility Funds capital program includes one request for an increase of \$100,000 to the AIF Airport capital program.

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 1.90% is considered necessary to maintain the level of services that the citizens of Kelowna continue to enjoy and to guard against extraordinary future tax changes. The 2003 Financial Plan provides a balance between the City's ongoing servicing requirements and the impact of a taxation increase.

This compares to the taxation increase of 2.20% at the provisional Financial Plan review.

R.A. Born

Cc: All City Directors