
City of Kelowna

MEMORANDUM

DATE: April 29, 2004
FILE: 1700-20; B/L 9220
TO: Mayor and Council
FROM: City Manager
RE: **2004 FINANCIAL PLAN – FINAL BUDGET**

RECOMMENDATION:

THAT Council approve the 2004-2008 Financial Plan;

AND THAT Council approve the formulation of 2004 Property Tax Rates that will raise the required funds in 2004, from General Taxation, of \$66,120,000, resulting in an average net property owner impact of 1.75%;

AND FURTHER THAT the bylaw to adopt the 2004-2008 Financial Plan be advanced for reading consideration by Council.

BACKGROUND:

Council approved the provisional 2004 Financial Plan on January 12th, 2004, after review of the budget information on January 6th. The Financial Plan was increased on March 22nd to include 2003 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2004-2008 Financial Plan. The timing of the Financial Plan preparation is to coincide with preparation of the Tax Rates bylaw in accordance with the Community Charter.

Financial Services has projected the 2004 municipal taxation requirements for the City of Kelowna as a result of receiving the following information:

- Revised 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 2004 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2003 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 revised assessment roll, total \$2.79 Million or an increase of \$144,000 over the Financial Plan estimate of \$2.65 Million. The total assessed value of new construction for 2004 is \$422.4 million or a 5.0% increase.

General Revenues

A general revenue increase of \$84,500 results from increasing the Terasen Gas franchise fee revenue by \$94,800 offset by a reduction in other general revenues.

Supplemental Operating Requests

The Final Budget document includes an increase of general purpose Supplemental Operating Expenditures totaling \$227,500 (net \$143,000 after general revenue increases). The Mixed Use Development Parking Credit requirement of \$187,500 makes up most of the increase. Expenditure changes for the Downtown Patrol Program, security at Kasugai Gardens and increased drainage inspections form the rest of the increase. A summary of the requests is included in attached Schedule 3(a).

Schedule 3(b) contains a priority 2 request included for Council review and is not included in the Final Budget totals.

Schedule 3(c) outlines three expenditure reductions for 2004. In the Inspections Services Division the Animal Control function has changed from a Regional District contract service to a tax requisition service (removed from the City's budget and now included with CORD's budget). There is a onetime reduction in Transit requirements due to increased revenues and also a reduction in Other Working Capital requirements from the provisional financial plan review. Total expenditure reductions are \$401,970.

Capital Program

The 2004 final capital budget includes \$96,300 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$16.1 Million as compared to \$14.8 Million in the 2003 Financial Plan. This increase represents 46% of new construction taxation revenues, which is slightly under the 50% Council objective for maintaining the pay-as-you-go Capital Program. However, there is a significant operating request for Development credit that relies on new construction revenues this year.

Schedule 3(d) summarizes the final budget general fund capital requests of \$2.4 million.

The Utility Funds capital program includes one request for an increase of \$6.5 million to the Wastewater – North Rutland Specified Area and two new projects for the Airport along with the cancellation of one project that was approved earlier.

Schedule 3(e) & 3(f) summarize the Utility Fund operating and capital requests.

Final Budget

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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.

Properties experiencing a market assessment increase greater than the average change will experience a correspondingly higher net tax increase. Conversely, properties experiencing a market assessment change of less than the average 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. The threshold before the grant begins to reduce was increased from \$525,000 to \$585,000. After \$585,000 the grant is reduced by \$10 for every \$1,000 of residential assessed value.

Conclusion

The recommendation for a net property tax increase averaging 1.75% is considered necessary to balance the needs of our community with the need to maintain a fair and equitable tax requirement. There are opportunities and financial challenges during a high growth period to support historical levels of service and enhance services that are a priority of the citizens of Kelowna. The 2004 Financial Plan continues to provide for the services, infrastructure and amenities consistent with the needs of our community!

The projected taxation increase was 2.24% at the provisional Financial Plan review.

R.A. Born

Cc: All City Directors