
City of Kelowna

MEMORANDUM

DATE: April 28, 2005
FILE: 1700-20
TO: Mayor and Council
FROM: City Manager
RE: **2005 FINANCIAL PLAN – FINAL BUDGET**

RECOMMENDATION:

THAT Council adopt the 2005-2009 Financial Plan;

AND THAT Council approve the formulation of 2005 Property Tax Rates that will raise the required funds in 2005, from General Taxation, of \$70,210,000, resulting in an average net property owner impact of 1.95%;

AND FURTHER THAT the bylaw to adopt the 2005-2009 Financial Plan be advanced for reading consideration by Council.

BACKGROUND:

Council approved the provisional 2005 Financial Plan on December 16th, 2004, and it was increased on March 21st to include the 2004 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2005-2009 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 2005 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 2005 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2004 operating results and additional projects identified since approval of the Financial Plan.

Final Budget

Additional Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$2.80 Million the same value as was estimated at Provisional Budget. The total assessed value of new construction for 2005 is \$550.0 million or a 5.6% increase over 2004 assessed property values.

General Revenues

A general revenue increase of \$317,800 results from an increase in Traffic Fine Revenue Sharing and an increase in Business Licence revenues.

Supplemental Operating Requests

The Final Budget document includes a decrease of general purpose Supplemental Operating Expenditures totaling \$111,700 (excluding general revenue increases). There are supplemental requests totaling \$623,730 that are offset by expenditure reductions totaling \$735,380. Many of the requests are funded from revenues or reserves with the largest taxation impact due to an increase in Other Working Capital for salary and fringe benefit load changes since Provisional Budget. There is also a significant requirement in the Parks area for maintenance contract cost changes. A summary of the requests is included in attached Schedule 3(a).

Schedule 3(b) outlines two expenditure reductions for 2005. Both requests are in the Debt & Other area and relate to reduced debt servicing requirements and reduced appropriations to reserve. Total expenditure reductions are \$735,380.

Capital Program

The 2005 final capital budget includes \$362,200 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$17.8 Million as compared to \$16.1 Million in the 2004 Financial Plan. This increase represents 62.5% of new construction taxation revenues, which is higher than the 50% Council objective for maintaining the pay-as-you-go capital program. The increase relates to demands under the capital program and also to a strategy change of reducing the operating appropriations to reserve and then funding capital from taxation rather than reserve.

Schedule 3(c) summarizes the final budget general fund capital requests of \$5.6 million.

There is one utility operating request related to Wastewater debt costs as shown on Schedule 3(d).

The Utility Funds capital program includes one request each for Water & Wastewater on Vimy Avenue line upgrades. Air Terminal Building improvements and an expansion to the Economy Parking Lot are included for the Airport. Schedule 3(e) summarizes the Utility Fund capital requests.

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 program has changed again for 2005 due to significant assessment increases. The maximum that can be claimed remains at \$470 for homeowners under 65 years of age and \$745 for those 65 and over. The threshold before the grant begins to reduce has increased by \$100,000 to \$685,000. After \$685,000 the grant is reduced by \$5 for every \$1,000 of residential assessed value.

Conclusion

The recommendation for a net property tax increase averaging 1.95% is considered necessary to balance the needs of our community with the need to maintain a fair and equitable tax requirement. The 2005 Financial Plan continues to provide for the services, infrastructure and amenities consistent with the priorities of the citizens of Kelowna during this high growth period. The plan does not include any projects funded by the transfer of Federal Gas Tax and opportunities under that program will be examined during 2005.

The projected taxation increase was 2.05% at the provisional Financial Plan review.

R.A. Born

Cc: All City Directors