
City of Kelowna

MEMORANDUM

DATE: April 27, 2006
FILE: 1700-20
TO: Mayor and Council
FROM: City Manager
RE: **2006 FINANCIAL PLAN – FINAL BUDGET**

RECOMMENDATION:

THAT Council adopt the 2006-2010 Financial Plan;

AND THAT Council approve the formulation of 2006 Property Tax Rates that will raise the required funds in 2006, from General Taxation, of \$74,660,000, resulting in an average net property owner impact of 2.00%;

AND FURTHER THAT the bylaw to adopt the 2006-2010 Financial Plan be advanced for reading consideration by Council.

BACKGROUND:

Council approved the provisional 2006 Financial Plan on January 5th, 2006, and it was increased on March 20th to include the 2005 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2006-2010 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 2006 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 2006 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2005 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 \$3.04 Million an increase of \$243,400 from the value estimated at Provisional Budget. The total assessed value of new construction for 2006 is \$652.0 million or a 5.2% increase over 2005 assessed property values.

General Revenues

A general revenue increase of \$234,660 results from an increase in Natural Gas Franchise Fees and Investment Interest Income.

Supplemental Operating Requests

The Final Budget document includes a decrease of general purpose net Operating Expenditures totaling \$159,200 (excluding general revenue increases). Excluding the transfer of taxes to other governments there are Final Budget expenditure requests totaling \$834,680 that are offset by recoveries (revenues or reserves) of \$913,240 for a net change of (\$78,560). There are significant cost requirements in the Parks and Police departments with additional revenues in the Transportation and Police departments. A summary of the requests is included in attached Schedule 3(a).

Schedule 3(b) outlines two expenditure reductions for 2006. In the Debt & Other area there is a reduction of \$80,640 in Other Working Capital requirements. In the Police area there is a reduction of two members that were going to be funded through Crime Stoppers but that program cannot be accomplished. Total expenditure reductions are \$80,640.

Capital Program

The 2006 final capital budget includes \$393,860 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$19.2 Million as compared to \$17.8 Million in the 2005 Financial Plan. This increase of \$1,320,600 represents 43.4% of new construction taxation revenues, which is \$200,900 lower than the 50% Council objective for maintaining the pay-as-you-go capital program. Additional reserve funding was used to achieve the appropriate tax impact requested by Council.

Schedule 3(c) summarizes the Final Budget general fund capital requests of \$2.7 million.

There are two utility operating requests as shown on Schedule 3(d). The first is for debt repayment of the internally financed North End Water system and the second is for additional Electrical Under-grounding costs along Rutland Road.

The Utility Funds capital program includes five projects for the Airport including the Long Term Parking Expansion and the Gate 2 Loading Bridge. 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 2006. The maximum that can be claimed increases to \$570 for homeowners less than 65 years of age and \$845 for those 65 and over. The threshold before the grant begins to reduce has increased by \$95,000 to \$780,000. After \$780,000 the grant is reduced by \$5 for every \$1,000 of residential assessed value.

Conclusion

The recommendation for a net property tax increase averaging 2.00% is considered necessary to maintain the level of services that the citizens of Kelowna continue to enjoy. The 2006 Financial Plan provides a balance between the City's ongoing servicing requirements and their delivery in a fiscally responsible manner.

The projected taxation increase was 2.35% at the Provisional Financial Plan review.

R.A. Born

Cc: All City Directors