
CITY OF KELOWNA

MEMORANDUM

Date: April 26, 2007
File No.: 1700-20
To: Mayor and Council
From: City Manager
Subject: 2007 FINANCIAL PLAN – FINAL BUDGET

RECOMMENDATION:

THAT Council adopt the 2007-2011 Financial Plan.

AND THAT Council approve the formulation of 2007 Property Tax Rates that will raise the required funds in 2007, from General Taxation, of \$80,697,000, resulting in an average net property owner impact of 2.81%.

AND FURTHER THAT bylaw 9793 to adopt the 2007-2011 Financial Plan, bylaw's 9794 & 9795 for the 2007 Tax Rates and bylaw's 9789-9792 for the Reserve Fund Expenditures be advanced for reading consideration by Council.

BACKGROUND:

Council approved the provisional 2007 Financial Plan on December 20th, 2006, and it was amended on March 26th to include the 2006 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2007-2011 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 2007 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 2007 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2006 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 \$3.9 Million, an increase of \$1,276,300 from the value estimated from Completed Roll information at Provisional Budget. The total assessed value of new construction for 2007 is \$917.1 million or a 6.3% increase over 2006 assessed property values.

General Revenues

A general revenue increase of \$38,010 results from an increase in Natural Gas Franchise Fees.

Supplemental Operating Requests

The Final Budget document includes an increase of general purpose net Operating Expenditures totalling \$432,940 (excluding general revenue increases). Excluding the transfer of taxes to other governments there are Final Budget expenditure requests totalling \$1,147,480 that are offset by recoveries (revenues or reserves) of \$714,540. The largest cost requirements are in the Parks and Community Development & Real Estate divisions. A summary of the requests is included in attached Schedule 3(a). Two requests from the Provisional Budget "Star Item" list were changed and have been funded in the Final Budget totals. Schedule 8 shows the listing and the two requests that are funded (Civic Properties – Property Manager & Transit Service Improvements).

Capital Program

The 2007 final capital budget includes \$751,700 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$20.6 Million as compared to \$19.2 Million in the 2006 Financial Plan. This increase of \$1,453,520 represents 37% of new construction taxation revenues. This is \$514,630 lower than the 50% Council objective for maintaining the pay-as-you-go capital program. Additional reserve funding, Federal program funding and borrowing were used to achieve the appropriate tax impact requested by Council.

Schedule 3(b) summarizes the Final Budget general fund capital requests of \$6.5 million.

Utilities and Airport

There are a number of utility operating requests as shown on Schedule 3(c). These include the upgrading of a shared position, revenues from the water rate change, two requests for biosolids composting and two requests for changes at the Airport.

Schedule 3(d) summarizes the Airport expenditure reduction for a position change and a corresponding delay in filling the position.

The Utility Funds capital program includes four projects for the Airport including the Departure Room Expansion and the Runway Extension. 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 2007. The maximum that can be claimed remains at \$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 \$170,000 to \$950,000. After \$950,000 the grant is reduced by \$5 for every \$1,000 of residential assessed value. Homeowners that qualify for the additional home owner grant amount (low-income seniors, certain veterans and certain persons with disabilities) may apply to the Ministry of Small Business and Revenue if they cannot receive the grant due to the high assessed value of their home.

Conclusion

The recommendation for a net property tax increase averaging 2.81% is considered necessary to maintain the level of services that the citizens of Kelowna continue to enjoy. The high growth experienced over the last few years has provided opportunities through increased new construction revenues but has also created additional demands for service. The construction and labour sector increases have exceeded the normal price indexes and have resulted in a slightly higher tax increase for 2007. The 2007 Financial Plan continues to provide for the services, infrastructure and amenities consistent with the needs of our growing community.

The projected taxation increase was 2.99% at the Provisional Financial Plan review.

LEGAL/STATUTORY AUTHORITY: Financial Plan under Section 165 of the Community Charter requires adoption of a 5 Year Financial Plan bylaw prior to the annual property tax bylaw. Annual property tax bylaw under Section 197 of the Community Charter, Council must establish tax rates by bylaw after adoption of the financial plan but before May 15th.

Considerations that were not applicable to this report:

INTERNAL CIRCULATION TO:

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

EXISTING POLICY:

FINANCIAL/BUDGETARY CONSIDERATIONS:

PERSONNEL IMPLICATIONS:

TECHNICAL REQUIREMENTS:

EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

Submitted by:

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City Manager*

Cc: All City Directors