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CITY OF KELOWNA

MEMORANDUM

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**Date:** April 28, 2008  
**File No.:** 1700-20  
**To:** Mayor and Council  
**From:** City Manager  
**Subject:** 2008 FINANCIAL PLAN – FINAL BUDGET

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**RECOMMENDATION:**

THAT Council adopt the 2008-2012 Financial Plan;

AND THAT Council approve the formulation of 2008 Property Tax Rates that will raise the required funds in 2008, from General Taxation, of \$88,503,000, resulting in an average net property owner impact of 5.66%;

AND FURTHER THAT Bylaw No. 9991 to adopt the 2008-2012 Financial Plan, Bylaw Nos. 9992 and 9993 to adopt the 2008 Tax Rates and Bylaw Nos. 9996 and 10000 to adopt the Reserve Fund Expenditures be advanced for further reading consideration by Council.

**BACKGROUND:**

Council approved the provisional 2008 Financial Plan on December 13th, 2007, and it was amended on March 17th to include the 2007 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2008-2012 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 2008 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 2008 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2007 operating results and additional projects identified since approval of the Financial Plan.



### Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$3.2 Million, a decrease of \$663,000 from the value estimated at Provisional Budget. The estimate was based on 2007 new construction revenues along with BC Assessment preliminary roll information but the final new construction amount was not able to reach last year's growth level. The total assessed value of new construction for 2008 is \$779.3 million or a 4.2% increase over 2007 assessed property values.

### General Revenues

A general revenue increase of \$308,280 results from an increase in the 1% In-lieu of Property Tax, Natural Gas Franchise Fees and Traffic Fine Revenue sharing.

### Supplemental Operating Requests

The Final Budget document includes an increase of general purpose net Operating Expenditures totalling \$168,670 (excluding general revenue increases). Excluding the transfer of taxes to other governments there are Final Budget expenditure requests totalling \$2,516,472 that are offset by recoveries (revenues or reserves) of \$2,347,802. The largest cost requirements are in the Solid Waste, Transportation Services and Transit areas. Aside from reserve funding, additional revenues were included for Inspection Permit Revenues and Provincial Gaming Revenues. A summary of the requests is included in attached Schedule 3(a).

There is one expenditure reduction for the Removal of Flex Funding in Transit in the amount of \$326,670 as shown on Schedule 3(b).

### Capital Program

The 2008 final capital budget has a reduction of \$195,000 in new taxation requirements. These requests reduce the total general purpose pay-as-you-go funding to \$20.7 Million as compared to \$20.6 Million in the 2007 Financial Plan. This is an increase of \$67,300 and represents only 2% of new construction taxation revenues for 2008. This is \$1.55 million lower than the 50% Council objective for maintaining the pay-as-you-go capital program. Additional reserve funding along with Federal/Provincial program funding helped to sustain the capital program while maintaining a reduced taxation impact.

Schedule 3(c) summarizes the Final Budget general fund capital requests of \$1.1 million.

### Utilities and Airport

There are three utility operating requests as shown on Schedule 3(d). These include an increase in the Electrical Services Contract along with salary and reserve changes at the Airport.

The Utility Funds capital program includes projects for the Wastewater and Electrical areas and is summarized in Schedule 3(e).

### 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 2008. 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 \$100,000 to \$1,050,000. After \$1,050,000 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 5.66%** is required to maintain, and with the new aquatic centre, increase the level of services that the citizens of Kelowna receive. A balance between the increasing cost of providing services and supporting the demands of a growing city, have resulted in a higher tax increase for 2008. The 2008 Financial Plan continues to provide for the services, infrastructure and amenities consistent with the needs of our developing community.

The projected taxation increase remains at the Provisional Budget level of 5.66% with the aquatic centre impact of 2.86% and the impact of other services at 2.80%.

**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 15<sup>th</sup>.

Considerations that were not applicable to this report:

**INTERNAL CIRCULATION TO:**

**LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:**

**EXISTING POLICY:**

**FINANCIAL/BUDGETARY CONSIDERATIONS:**

**PERSONNEL IMPLICATIONS:**

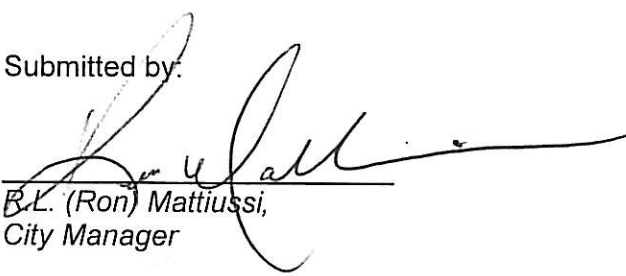
**TECHNICAL REQUIREMENTS:**

**EXTERNAL AGENCY/PUBLIC COMMENTS:**

**COMMUNICATIONS CONSIDERATIONS:**

**ALTERNATE RECOMMENDATION:**

Submitted by:

  
B.L. (Ron) Mattiussi,  
City Manager

Cc: All City Directors