
CITY OF KELOWNA

MEMORANDUM

Date: April 27, 2009
File No.: 1700-20
To: Mayor and Council
From: City Manager
Subject: 2009 FINANCIAL PLAN – FINAL BUDGET

RECOMMENDATION:

THAT Council adopt the 2009-2013 Financial Plan.

AND THAT Council approve the formulation of 2009 Property Tax Rates that will raise the required funds in 2009, from General Taxation, of \$90,050,000, resulting in an average net property owner impact of 3.49%.

AND FURTHER THAT bylaw 10189 to adopt the 2009-2013 Financial Plan, bylaw's 10190 & 10191 for the 2009 Tax Rates and bylaw's 10192 & 10193 for the Reserve Fund Expenditures be advanced for reading consideration by Council.

BACKGROUND:

Council approved the provisional 2009 Financial Plan on January 7th, 2009, and it was amended on March 23rd to include the 2008 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2009-2013 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 2009 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 2009 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2008 operating results and additional projects identified since Provisional budget including infrastructure grant funding from the Provincial and Federal governments.



Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$2.7 Million, a decrease of \$32,200 from the value estimated at Provisional Budget. The estimate was based on BC Assessment preliminary roll information but the final new construction level declined from the earlier estimate. The total assessed value of new construction for 2009 is \$721.0 million or a 3.2% increase over 2008 assessed property values.

General Revenues

A general revenue increase of \$127,000 results from an increase in the Natural Gas Franchise Fee. There are also increases for Climate Action Revenue Incentive and Strategic Community Investment Funds that are offset by contributions to reserve for future requirements.

Supplemental Operating Requests

The Final Budget document includes an increase of general purpose net Operating Expenditures totalling \$96,070 (excluding general revenue increases). Excluding the transfer of taxes to other governments there are Final Budget expenditure requests totalling \$378,630 that are offset by recoveries (revenues or reserves) of \$409,560. The largest cost requirements are for a Transit increase and for Graffiti mitigation. Schedule 3(a) summarizes the Final Budget general fund operating requirements.

There is one expenditure reduction for the removal of the West Nile Prevention Program which is run through the Regional District. Schedule 3(b) has the Expenditure Reduction summary.

Capital Program

The 2009 final capital budget has an increase of \$112,000 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$20.5 Million as compared to \$20.7 Million in the 2008 Financial Plan. This is a reduction of \$192,690 and departs from the 50% of new construction revenue that has been Council's objective for maintaining the pay-as-you-go capital program.

The Canada-BC Partnership to expand local infrastructure has provided an opportunity for an additional \$27 million of road, bridge and multi-use pathway construction projects at Final Budget. All of this coming without additional taxation funding due to the use of reserves and Development Cost Charge funds. This provides a significant investment in the City's mobility infrastructure to provide better traffic flow along with improved active transportation network throughout the city.

Schedule 3(c) summarizes the Final Budget general fund capital requests of \$28.8 million.

Utilities and Airport

There is one utility operating request as shown on Schedule 3(d). This was for a supplemental that was shared with Water, Wastewater and Solid Waste. The Utility Funds capital program includes projects for the Water and Wastewater areas and is summarized in Schedule 3(e).

Net Property Owner Impact

With the Provincial decision to lock-in the assessment rolls at 2007 assessed levels the **Municipal Tax impact** on all property owners in each Property Class should be quite similar. The market changes felt in other years will not be noticeable for 2009.

The Provincial Homeowner Grant program has not changed this year. 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 is still \$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.

The Province has also created a new temporary program to allow eligible homeowners facing financial hardship, that have at least 15% equity in their homes, to defer their 2009 and 2010 property taxes. Details on application and eligibility requirements will be made available in May.

Conclusion

The recommendation for a net property tax increase averaging 3.49% is required to support the level of services that the citizens of Kelowna request. The use of reserve funding and senior government grants have reduced the need for greater taxation funding which is especially sensitive under the current economic conditions. The 2009 Financial Plan provides for the services, infrastructure and amenities that will strengthen the City's position during this difficult period.

The projected taxation increases by .14% from the Provisional Budget level of 3.35% with the aquatic centre impact of 1.79% and the impact of other services at 1.70%.

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:

COMMUNICATIONS CONSIDERATIONS:

ALTERNATE RECOMMENDATION:

Submitted by:



R.L. (Ron) Mattiussi,
City Manager

Cc: General Managers and Directors