

# Memo



**Date:** April 27, 2010  
**File:** 0220-20  
**To:** Mayor and Council  
**From:** City Manager  
**Subject:** 2010 FINANCIAL PLAN - FINAL BUDGET

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## **Recommendation:**

**THAT COUNCIL** adopt the 2010-2014 Financial Plan.

**AND THAT** Council approve the formulation of 2010 Property Tax Rates that will raise the required funds in 2010, from General Taxation, in the amount of \$93,260,000, resulting in an average net property owner impact of 1.62%.

**AND FURTHER THAT** bylaw 10334 to adopt the 2010-2014 Financial Plan, bylaws 10335 & 10336 for the 2010 Tax Rates and bylaws 10337 & 10338 for the reserve Fund Expenditures be advanced for reading consideration by Council.

## **Purpose:**

To present the 2010 Final Budget submissions and the 2010-2014 Financial Plan and related bylaws to council for their consideration and approval.

## **Background:**

Council approved the provisional 2010 Financial Plan on December 17, 2010 and it was amended on March 29<sup>th</sup> to include the 2009 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2010-2014 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 2010 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 2010 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2009 operating results and additional projects identified since Provisional budget.

## Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$1.75 Million, an increase of \$150,000 from the value estimated at Provisional Budget. The estimate was based on BC Assessment preliminary roll information but the final new construction level has increased from the earlier estimate. The total assessed value of new construction for 2010 is \$489.5 million or a 2.12% increase over 2009 assessed property values.

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## General Revenues

A general revenue decrease of \$57,060 results from a decrease in the expected revenue due from the Terasen Gas Franchise Fee. There is also an increase from the Climate Action Revenue Incentive that is offset by a contribution to reserve for future requirements.

## Supplemental Operating Requests

The Final Budget document includes an increase of general purpose net Operating Expenditures totalling \$72,330 (excluding the general revenue decrease). Excluding the transfer of taxes to other governments there are Final Budget expenditure requests totalling \$1,950,290 that are offset by recoveries (revenues or reserves) of \$1,820,900. Included in these totals is \$1,800,000 for the mortgage related to a property acquisition being predominantly funded from Parks DCC reserves. The majority of final budget requests come from the Civic Operations department and include requests for Graffiti mitigation and maintenance of new parks constructed in 2010. Schedule 8(a) summarizes the Final Budget general fund operating requirements.

## Capital Program

The 2010 final capital budget has an increase of \$42,000 in new taxation requirements. These requests increase the total general purpose pay-as-you-go funding to \$16.1 Million as compared to \$20.5 Million in the 2009 Financial Plan. It is important to note here that PSAB sec. 3150 was implemented for the 2010 budget year whereby capital projects that would have otherwise been submitted and recorded as capital in 2009 were evaluated against tangible capital asset criteria and where they did not meet the criteria, they were recorded in operating budgets in 2010. At provisional budget, the capital funding shortfall was \$1.8M in relation to council's objective of increasing capital by 50% of new construction revenue.

Schedule 9(a) summarizes the Final Budget general fund capital requests of \$42,000.

## Utilities and Airport

There are three utility operating requests as shown on Schedule 8(b). Two of these are to adjust budgets to record actual experience and the third one is to recognize additional revenues in the Wastewater utility as a result of the rate increase that went into effect in April 2010. The Utility Funds capital program includes projects for the Water and Wastewater areas and is summarized in Schedule 9(b).

There are no Airport operating or capital requests.

## Net Property Owner Impact

While the province locked in assessment rolls at 2007 assessed levels for the 2009 taxation year, 2010 assessments came in at an increase of 1.18% over 2009 assessments considering both market and new construction value changes.

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 temporary financial hardship program introduced by the Province in 2009 to allows eligible homeowners who declare that they are facing financial hardship due to current economic conditions, and have at least 15% equity in their homes, will be allowed to defer their property taxes again this year.

The Province has also created a new family with children program effective for the 2010 taxation year. This allows eligible homeowners who declare that they are financially supporting at the time of application a

dependent child, who is under the age of 18 years at any time in the calendar year, and have at least 15% equity in their homes, to defer their property taxes.

Conclusion

The recommendation for a net property tax increase averaging 1.62% is required to support the current level of services delivered to the citizens of Kelowna. In these tight economic times, staff are focused on core services and utilizing current resources as effectively as possible. 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 2010 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 .02% from the Provisional Budget level of 1.60%.

**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>.

**Internal Circulation:**

**Legal/Statutory Procedural Requirements:**

**Existing Policy:**

**Financial/Budgetary Considerations:**

**Personnel Implications:**

**External Agency/Public Comments:**

**Community & Media Relations Comments:**

**Alternate Recommendation:**

**Considerations not applicable to this report:**

Submitted by:



R. Mattiussi, City Manager

CC: General Managers and Directors

# **2010 FINANCIAL PLAN FINAL BUDGET**



May 3, 2010



## ***OUTLINE***

- ▶ REGULATORY AUTHORITY
- ▶ FINAL BUDGET
- ▶ 5 YEAR FINANCIAL PLAN
- ▶ TAXATION IMPACTS



## ***REGULATORY AUTHORITY***

- ❑ CC - Section 165, Financial Plan, 5 Year Financial Plan Bylaw
- ❑ CC - Section 165, Financial Plan, Objectives and Policies
- ❑ CC - Section 197, Annual Property Tax Bylaw, Tax rates prior to May 15th

## ***FINAL BUDGET***

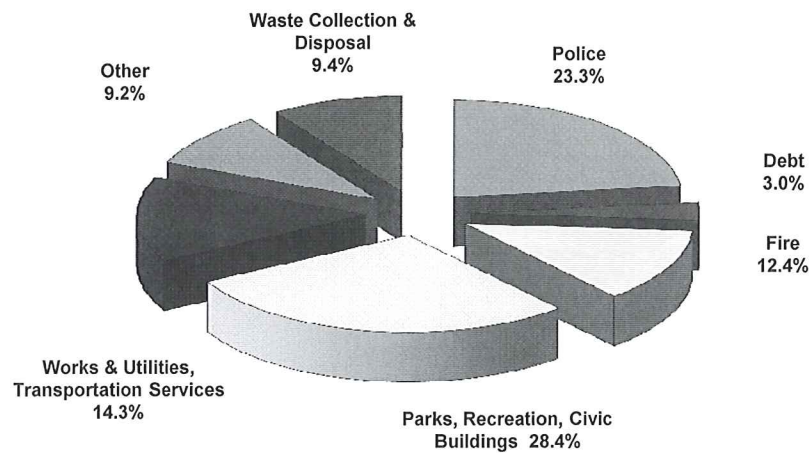
Provisional Tax Demand	<b>\$93.09 Million</b>
Operating Requests	<b>\$129,390</b>
Capital Requests	<b>\$42,000</b>
2010 Final Tax Demand	<b>\$93.26 Million</b>

New Construction \$1,750,000  
***Net property owner impact 1.62%***

## ***FINAL BUDGET - UTILITIES***

- ▶ Water & Wastewater Operating - \$247,510 - net (\$98,330)
- ▶ Water & Wastewater Capital - \$360,000 - net \$210,000

## ***TAX DOLLAR***



## **ONGOING IMPACTS**

Additional cost increase	\$707,720
One time costs	\$125,890
Capital maintenance	\$277,900
\$88.5 million	

***Impact on 2011 Budget 1.19%***

## **5 YEAR FINANCIAL PLAN**

(Millions)

	2010	2011	2012	2013	2014
<b>General Revenues</b>	(\$12.0)	(12.3)	(12.6)	(12.9)	(13.2)
<b>Net Operating Budget</b>	\$89.2	93.6	97.8	102.8	106.5
<b>Pay-as-you-go Capital</b>	\$16.1	17.5	19.4	20.4	21.4
<b>Taxation Demand</b>	<b>\$93.3</b>	<b>98.8</b>	<b>104.6</b>	<b>110.3</b>	<b>114.7</b>
<b>Property Owner Impact</b>	<b>1.6%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.2%</b>	<b>1.8%</b>

## **5 YEAR FINANCIAL PLAN**

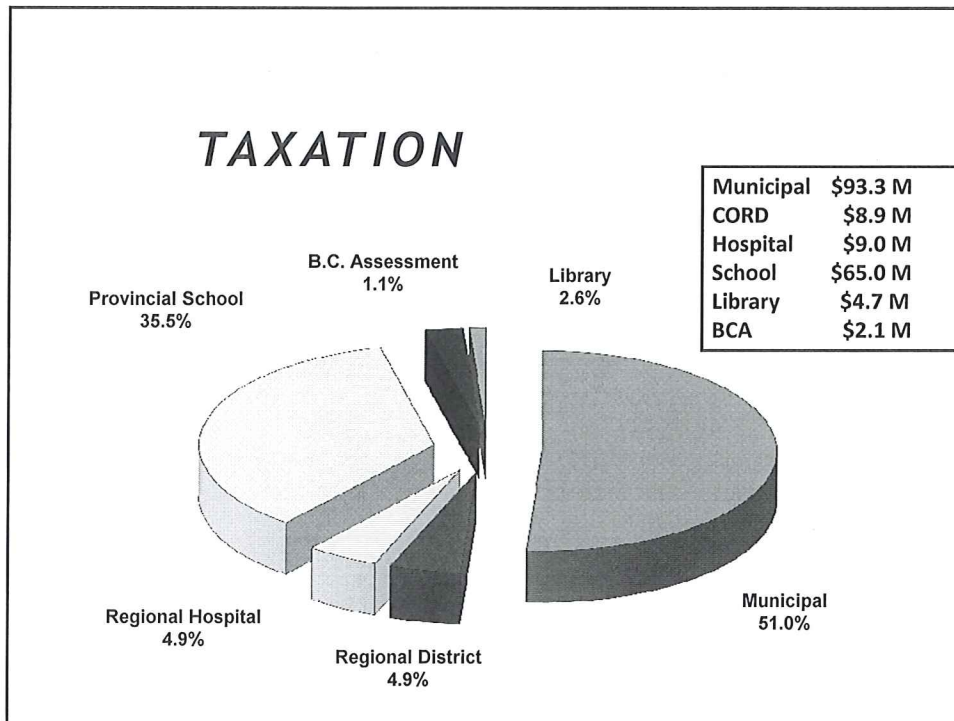
<i>5 Year Fin'l Plan</i>	2010	2011	2012	2013	2014
<b>REVENUE SOURCES</b>					
Property Value Tax	93.3	98.8	104.6	110.3	114.7
Parcel Taxes	3.1	2.9	2.9	2.9	2.8
Fees and Charges	109.5	111.0	115.1	119.3	123.8
Borrowing Proceeds	32.7	7.3	5.5	19.6	17.8
Other Sources	77.1	46.4	43.7	47.4	46.1
	315.7	266.4	271.8	299.5	305.2
<b>TRANSFERS BETWEEN FUNDS</b>					
Reserves	97.2	53.9	67.2	65.3	55.0
<b>Total</b>	<b>412.9</b>	<b>320.3</b>	<b>339.0</b>	<b>364.8</b>	<b>360.2</b>
<b>EXPENDITURES</b>					
Municipal Debt	24.7	24.6	24.1	23.5	23.4
Municipal Operating	192.1	191.6	198.6	207.2	214.4
Capital Expenditures	177.1	82.7	96.0	113.9	101.2
	393.9	298.9	318.7	344.6	339.0
<b>TRANSFERS BETWEEN FUNDS</b>					
Reserves	19.0	21.4	20.3	20.2	21.2
<b>Total</b>	<b>412.9</b>	<b>320.3</b>	<b>339.0</b>	<b>364.8</b>	<b>360.2</b>

## **5 YEAR FINANCIAL PLAN**

### **Objectives and Policies**

1. Funding Sources
2. Distribution of Property Tax
3. Permissive Tax Exemptions





## TAX IMPACTS

RESIDENTS	2009	2010	Difference	Change
Assessed value	\$492,800	\$478,400	(\$14,400)	(2.9%)
<b>Municipal</b>				
General tax levy	\$1,562	\$1,587	\$25.60	1.6%
Garbage Col/Red	\$177	\$177	\$0	0.0%
School tax levy	961	990	29.33	3.0%
Homeowner grant	(\$570)	(\$570)	0	0.0%
	391	420	29.33	7.5%
Regional District levy	150	145	(4.75)	(3.2%)
Hospital levy	132	149	17.14	13.0%
Library levy	77	80	2.91	3.8%
BC Assessment	32	32	0.18	0.6%
<b>Total tax levy</b>	<b>\$2,520</b>	<b>\$2,591</b>	<b>\$70.42</b>	<b>2.7%</b>

## **TAX IMPACTS**

<b>BUSINESS</b>	2009	2010	Difference	Change
Assessed value	\$998,990	\$1,110,070	\$111,080	11.1%
Municipal tax levy	\$8,603	\$8,747	\$143.69	1.7%
School tax levy	6,993	7,204	211.42	3.0%
Regional District levy	746	827	80.90	10.9%
Hospital levy	656	848	192.35	29.3%
Library levy	383	441	58.11	15.2%
BC Assessment	202	221	18.18	9.0%
<i>Total tax levy</i>	<i>\$17,583</i>	<i>\$18,287</i>	<i>\$704.65</i>	<i>3.9%</i>

### ▶ QUESTIONS

### ▶ Review Final Budget Requests