

CITY OF KELOWNA

BYLAW NO. 10334

Five Year Financial Plan 2010-2014

The Municipal Council of the City of Kelowna, in open meeting assembled, enacts as follows:

1. Schedule "A" attached hereto and forming part of this bylaw is hereby declared to be the Five Year Financial Plan of the City of Kelowna for the period January 1st, 2010 to and including December 31st, 2014.
2. Schedule "B" attached hereto and forming part of this bylaw is hereby declared to be the Statement of Objectives and Policies in accordance with Section 165 (3.1) of the *Community Charter*.
3. This bylaw may be cited for all purposes as the "Five Year Financial Plan Bylaw, 2010-2014, No. 10334".

Read a first, second and third time by the Municipal Council this

Adopted by the Municipal Council of the City of Kelowna this

Mayor

City Clerk

Financial Plan 2010 - 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-2020</u>
<u>REVENUE</u>						
PROPERTY VALUE TAX	93,260,000	98,800,685	104,635,421	110,309,809	114,692,541	745,724,798
PARCEL TAXES	3,081,157	2,852,798	2,875,941	2,899,376	2,813,991	18,296,418
FEES AND CHARGES	109,471,861	111,049,618	115,086,162	119,308,672	123,775,942	804,784,587
BORROWING PROCEEDS	32,702,530	7,250,000	5,470,800	19,600,000	17,850,000	97,730,000
OTHER SOURCES	77,150,801	46,450,466	43,673,609	47,399,659	46,134,381	299,963,288
	<u>315,666,349</u>	<u>266,403,568</u>	<u>271,741,932</u>	<u>299,517,517</u>	<u>305,266,855</u>	<u>1,966,499,091</u>
<u>TRANSFERS BETWEEN FUNDS</u>						
RESERVE FUNDS	1,634,236	1,220,236	1,221,256	1,222,296	1,223,358	7,954,206
DCC FUNDS	16,996,691	31,550,368	34,527,266	35,873,215	39,236,959	173,860,778
SURPLUS/RESERVE ACCOUNTS	78,611,270	21,127,021	31,486,275	28,141,713	14,517,236	94,390,296
	<u>97,242,197</u>	<u>53,897,625</u>	<u>67,234,797</u>	<u>65,237,225</u>	<u>54,977,553</u>	<u>276,205,280</u>
TOTAL REVENUE	<u><u>412,908,546</u></u>	<u><u>320,301,192</u></u>	<u><u>338,976,729</u></u>	<u><u>364,754,742</u></u>	<u><u>360,244,408</u></u>	<u><u>2,242,704,371</u></u>
<u>EXPENDITURES</u>						
<u>MUNICIPAL DEBT</u>						
DEBT INTEREST	11,534,302	12,073,925	11,973,657	11,765,918	11,818,792	76,845,156
DEBT PRINCIPAL	12,568,536	12,489,021	12,167,769	11,729,396	11,567,436	75,210,853
CAPITAL EXPENDITURES	177,051,510	82,730,699	95,974,581	113,890,249	101,154,331	585,697,230
<u>OTHER MUNICIPAL PURPOSES</u>						
GENERAL GOVERNMENT	13,689,105	19,024,405	19,647,566	20,276,758	20,912,091	135,969,302
PLANNING, DEVELOPMENT & BUILDING SERVICES	21,177,351	19,326,625	20,094,757	20,778,380	21,337,310	138,734,056
COMMUNITY SERVICES	71,794,323	67,987,332	70,609,952	73,903,322	76,304,764	503,013,642
PROTECTIVE SERVICES	36,005,677	37,649,110	38,854,519	40,604,694	41,932,462	272,642,634
UTILITIES	40,917,843	38,144,632	39,602,943	41,496,711	43,490,908	282,775,567
AIRPORT	9,155,649	9,428,286	9,779,112	10,134,208	10,493,651	68,229,159
	<u>393,894,296</u>	<u>298,854,035</u>	<u>318,704,857</u>	<u>344,579,636</u>	<u>339,011,745</u>	<u>2,139,117,600</u>
<u>TRANSFERS BETWEEN FUNDS</u>						
RESERVE FUNDS	6,119,112	6,248,023	6,420,485	6,596,288	6,774,984	33,052,787
DCC FUNDS						
SURPLUS/RESERVE ACCOUNTS	12,895,138	15,199,134	13,851,387	13,578,818	14,457,679	70,533,984
	<u>19,014,250</u>	<u>21,447,157</u>	<u>20,271,872</u>	<u>20,175,106</u>	<u>21,232,663</u>	<u>103,586,771</u>
TOTAL EXPENDITURES	<u><u>412,908,546</u></u>	<u><u>320,301,192</u></u>	<u><u>338,976,729</u></u>	<u><u>364,754,742</u></u>	<u><u>360,244,408</u></u>	<u><u>2,242,704,371</u></u>

**Schedule “B”
Statement of Objectives and Policies**

In accordance with Section 165(3.1) of the *Community Charter*, municipalities are required to include in the Five Year Financial Plan, objectives and policies regarding each of the following:

- (a) For each of the funding sources described in Section 165(7) of the *Community Charter*, the proportion of total revenue that is proposed to come from that funding source;
- (b) The distribution of property value taxes among the property classes that may be subject to taxes; and
- (c) The use of permissive tax exemptions.

Funding Sources

Table 1 shows the proportion of total revenue proposed to be raised from each funding source in 2010. Property taxes and fees and charges are two of the largest sources of revenue. Both have advantages in that they are stable, relatively simple to administer and are generally understood by citizens. The City of Kelowna also utilizes funds from reserves and surplus as another main source of financial support. Reserve funds are closely managed to ensure and protect the current and future financial viability of the municipality. Other sources of revenue may be variable and fluctuate from year to year depending on the economic influences and capital programs undertaken by the City.

Objectives

- Investigate other potential funding sources and securing opportunities for additional revenues.
- Begin to decrease the municipality's reliance on property taxes and explore opportunities to increase the percent of total revenue received from user fees and charges and senior government grants.
- Maintain a fees and charges structure whereby increases are applied on a regular basis in line with inflation, while ensuring that service levels remain competitive and affordable.

Policies

- Pursue non-property tax revenues whenever possible through applying for government grants and charging user fees at appropriate levels.
- Perform regular reviews of revenue generating areas for appropriate application of rate increases.
 - Planning and Development Fees.
 - Recreation & Cultural Services – application of BC Consumer Price Index.
 - Utility Revenues – ensure Utilities operate as self supporting enterprise funds.
- Increase provincial and federal grant revenue through maximum utilization of the City's Grant Manager position.

Table 1: Sources of Revenue

Revenue Source	Revenue \$ (000's)	% of Revenue
Property Value Tax	93,260	22%
Parcel Taxes	3,081	0%
Fees & Charges	109,472	27%
Borrowing Proceeds	32,703	8%
Other Sources	77,151	19%
Reserve Funds/Accounts	97,242	24%
Total	412,909	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2010 and the relative proportion of tax revenues. Projected revenues from the combined residential, recreational and Non-Profit classes, provides the largest proportion of property tax revenue. This cumulative class represents the largest tax assessment base and hence utilizes the majority of City services.

Objectives

- Provide an effective tax change that is the same for all property classes.
- Ensure that business and light industry property tax ratios remain below the average of BC municipalities with populations greater than 50,000.
- Allow for a maximum ratio cap of 3.00:1 for the Light Industrial/Business class.

Policies

- Council will annually review and modify tax class ratios to provide an effective tax change that is the same for all classes.
- The impacts on other property classes from administering a ratio cap on the Light Industrial/Business classes will be reported to Council during the annual Tax Distribution Policy review.
- Regularly review and compare the City's relative position in terms of distribution of taxes to other similarly sized municipalities in British Columbia.

Table 2: Tax Class Ratios and Projected Revenues

Property Class	Description	2010 Tax Class Ratios	Tax Revenue (000's)	2009 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	64,856	1.0000:1
02	Utilities	5.2100:1	420	6.1541:1
04	Major Industrial	3.5435:1	339	3.9580:1
05/06	Light Ind/Bus/Other	2.7750:1	27,237	2.7177:1
09	Farm Land	0.1578:1	10	0.1579:1
91	Farm Improvements	0.5103:1	398	0.5503:1
	Total Revenues		93,260	

Permissive Tax Exemptions

The City has an existing permissive tax exemption policy which guides the administration and approval of permissive tax exemptions. Some of the eligibility criteria for permissive tax exemptions that are outlined in the policy include the following:

- The applicant must qualify for an exemption under the provisions of the Community Charter.
- The organization receiving an exemption must be a registered non-profit society or registered charity, as the support of the municipality will not be used for commercial and private gain.
- The tax exemption must demonstrate benefit to the community and residents of the City by enhancing the quality of life (spiritually, educationally, socially and culturally), while delivering services economically to the citizens within the community.

The value of tax exemptions provided by Council for 2010 (based on 2009 assessment totals and tax rates) is \$3,072,451. The following breaks down the total into various exemptions categories and the exemption value for the category.

Schedule A – Places of Worship - \$643,821

Schedule B – Private schools - \$507,711

Schedule C – Hospitals - \$ 848,033

Schedule D – Special Needs Housing - \$ 66,564

Schedule E – Social Services - \$205,757

Schedule F – Public Park, Athletic or Recreational - \$ 213,369

Schedule G – Cultural - \$274,334

Schedule H – Partnering, Heritage or Other Special Exemptions Authority - \$312,862

In order to encourage the restoration and preservation of commercial, industrial and institutional building properties that meets the criteria outlined in the Heritage Building Tax Incentive Program policy can receive a tax exemption.

The establishment of the Revitalization Tax Exemption policy allows qualifying properties within the Downtown Urban Centre and Rutland Urban Centre areas to receive a tax exemption.

Objectives

- Continue to provide permissive tax exemptions to support qualifying organizations that improve the well-being of the community.
- The municipality will continue to provide heritage and revitalization tax exemptions for qualifying properties.

Policies

- Permissive tax exemptions will be considered to encourage activities that: (a) are consistent with the quality of life objectives of the municipality; (b) provide direct access and benefit to the public; and (c) would otherwise be provided by the municipality.
- To meet the city's commitment to the ongoing restoration, preservation and maintenance of buildings and structures on its Heritage Register, eligible properties will be considered for a tax exemption.
- To support the city's revitalization program of the Downtown Urban Centre and Rutland Urban Centre, qualifying properties will be considered for a tax exemption.