

CITY OF KELOWNA

BYLAW NO. 10528

Five Year Financial Plan 2011-2015

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, 2011 to and including December 31st, 2015.
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, 2011-2015, No. 10528".

Read a first, second and third time by the Municipal Council this 2nd day of May, 2011.

Adopted by the Municipal Council of the City of Kelowna this

Mayor

City Clerk

Schedule "A"

2011 FINANCIAL PLAN

FINANCIAL PLAN 2011 - 2015

Financial Plan 2011 - 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>
REVENUE						
PROPERTY VALUE TAX	96,759,000	101,127,840	105,857,166	111,073,416	115,945,983	571,544,650
LIBRARY REQUISITION	4,919,762	5,018,157	5,116,552	5,214,948	5,313,343	28,457,012
PARCEL TAXES	3,055,020	2,716,936	2,739,871	2,763,114	2,468,705	13,221,804
FEES AND CHARGES	115,542,702	119,922,040	124,421,460	129,244,137	134,451,625	720,091,196
BORROWING PROCEEDS	13,596,440	3,390,000	19,600,000	17,850,000	3,660,000	19,602,097
OTHER SOURCES	53,671,320	43,142,828	46,693,400	47,066,589	50,564,064	270,809,203
	<u>287,544,244</u>	<u>275,317,801</u>	<u>304,428,450</u>	<u>313,212,202</u>	<u>312,403,720</u>	<u>1,623,725,962</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	2,643,233	3,998,230	3,999,250	4,000,290	4,001,352	21,430,296
DCC FUNDS	29,803,056	46,090,595	38,779,766	34,635,566	39,583,358	211,999,134
SURPLUS/RESERVE ACCOUNTS	92,103,852	44,114,388	30,601,273	31,661,926	30,456,024	163,115,283
	<u>124,550,141</u>	<u>94,203,213</u>	<u>73,380,289</u>	<u>70,297,782</u>	<u>74,040,734</u>	<u>396,544,712</u>
TOTAL REVENUE	<u><u>412,094,385</u></u>	<u><u>369,521,014</u></u>	<u><u>377,808,739</u></u>	<u><u>383,509,985</u></u>	<u><u>386,444,454</u></u>	<u><u>2,020,270,674</u></u>
EXPENDITURES						
MUNICIPAL DEBT						
DEBT INTEREST	10,787,501	11,583,126	11,395,456	11,393,028	11,106,537	59,483,994
DEBT PRINCIPAL	12,235,754	14,380,179	14,358,259	14,358,259	13,952,122	74,724,273
CAPITAL EXPENDITURES	156,173,565	110,782,920	112,991,058	109,427,458	106,276,106	551,181,918
OTHER MUNICIPAL PURPOSES						
GENERAL GOVERNMENT	26,114,325	28,798,392	29,522,751	30,236,755	30,954,826	165,786,746
PLANNING, DEVELOPMENT & BUILDING SERVICES	22,712,748	19,487,330	20,065,219	20,682,269	21,280,133	113,971,374
COMMUNITY SERVICES	66,128,719	66,294,873	68,064,085	69,780,877	71,505,778	382,968,084
PROTECTIVE SERVICES	38,359,840	39,708,291	41,367,010	43,034,027	44,637,105	239,065,808
UTILITIES	43,077,926	43,020,202	44,612,467	46,473,350	48,422,899	259,341,631
AIRPORT	10,130,903	10,425,000	10,773,340	11,133,357	11,496,649	61,573,342
	<u>385,721,281</u>	<u>344,480,314</u>	<u>353,149,645</u>	<u>356,519,380</u>	<u>359,632,154</u>	<u>1,908,097,170</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	8,858,192	8,931,995	9,074,347	9,168,514	9,264,453	38,759,308
DCC FUNDS	17,514,912	16,108,705	15,584,748	17,822,090	17,547,847	73,414,196
SURPLUS/RESERVE ACCOUNTS	26,373,104	25,040,700	24,659,094	26,990,604	26,812,300	112,173,504
TOTAL EXPENDITURES	<u><u>412,094,385</u></u>	<u><u>369,521,014</u></u>	<u><u>377,808,739</u></u>	<u><u>383,509,985</u></u>	<u><u>386,444,454</u></u>	<u><u>2,020,270,674</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 2011. 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	96,759	24%
Library Requisition	4,920	1%
Parcel Taxes	3,055	1%
Fees & Charges	115,543	28%
Borrowing Proceeds	13,596	3%
Other Sources	53,671	13%
Reserve Funds/Accounts	124,550	30%
Total	412,094	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2011 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 75,000.
- 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	2011 Tax Class Ratios	Tax Revenue (000's)	2010 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	67,311	1.0000:1
02	Utilities	5.6660:1	461	5.2100:1
04	Major Industrial	3.3237:1	347	3.5435:1
05/06	Light Ind/Bus/Other	2.3714:1	28,208	2.3750:1
09	Farm Land	0.1493:1	11	0.1578:1
91	Farm Improvements	0.5174:1	421	0.5103:1
	Total Revenues		96,759	

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 2011 (based on 2010 assessment totals and tax rates) is \$4,217,346. The following breaks down the total into various exemption categories and the exemption value for the category:

Schedule A - Places of Worship - \$732,140

Schedule B - Private schools - \$604,407

Schedule C - Hospitals - \$ 1,380,032

Schedule D - Special Needs Housing - \$ 47,959

Schedule E - Social Services - \$228,676

Schedule F - Public Park, Athletic or Recreational - \$ 206,350

Schedule G - Cultural - \$288,104

Schedule H - Partnering, Heritage or Other Special Exemptions Authority - \$729,678

In order to encourage the restoration and preservation of commercial, industrial and institutional building, properties that meet 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.