

CITY OF KELOWNA

BYLAW NO. 10688

Five Year Financial Plan 2012-2016

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, 2012 to and including December 31st, 2016.
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, 2012-2016, No. 10688".

Read a first, second and third time by the Municipal Council this 7th day of May, 2012.

Adopted by the Municipal Council of the City of Kelowna this

Mayor

City Clerk

Schedule "A"

Financial Plan 2012 - 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2030</u>
REVENUE						
PROPERTY VALUE TAX	99,498,000	105,886,994	111,174,332	116,638,496	122,904,899	2,239,132,149
LIBRARY REQUISITION	5,085,447	5,187,156	5,290,899	5,396,717	5,504,651	100,286,010
PARCEL TAXES	3,512,905	3,280,944	3,303,992	3,295,340	3,246,223	50,711,981
FEES AND CHARGES	121,103,255	124,359,469	129,814,920	134,563,666	139,738,151	2,276,828,741
BORROWING PROCEEDS	8,291,150			20,000,000	20,000,000	60,000,000
OTHER SOURCES	59,349,390	43,407,222	46,292,705	49,669,582	47,231,326	720,499,865
	<u>296,840,147</u>	<u>282,121,785</u>	<u>295,876,849</u>	<u>329,563,802</u>	<u>338,625,250</u>	<u>5,447,458,745</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	5,950,445	4,394,485	4,395,505	4,396,545	5,114,061	79,891,036
DCC FUNDS	27,294,946	26,436,040	20,561,393	20,474,950	22,037,929	285,399,008
SURPLUS/RESERVE ACCOUNTS	88,804,089	32,521,201	29,568,493	20,041,446	15,925,346	209,015,236
	<u>122,049,480</u>	<u>63,351,726</u>	<u>54,525,391</u>	<u>44,912,941</u>	<u>43,077,335</u>	<u>574,305,280</u>
TOTAL REVENUE	<u>418,889,627</u>	<u>345,473,510</u>	<u>350,402,240</u>	<u>374,476,743</u>	<u>381,702,586</u>	<u>6,021,764,025</u>
EXPENDITURES						
MUNICIPAL DEBT						
DEBT INTEREST	10,452,941	10,151,048	9,978,757	10,057,456	10,877,447	92,834,058
DEBT PRINCIPAL	13,633,810	12,893,692	11,233,095	11,432,268	12,884,729	102,500,333
CAPITAL EXPENDITURES	150,869,270	75,748,705	71,462,155	88,848,004	84,319,294	1,161,838,505
OTHER MUNICIPAL PURPOSES						
GENERAL GOVERNMENT	28,630,602	28,944,402	29,662,001	30,367,672	31,087,181	535,521,759
PLANNING, DEVELOPMENT & BUILDING SERVICES	21,623,371	19,118,995	19,697,734	20,287,805	20,889,430	359,850,708
COMMUNITY SERVICES	67,658,381	68,999,945	71,193,133	73,366,323	75,482,023	1,300,287,250
PROTECTIVE SERVICES	41,285,932	44,488,519	47,431,215	49,935,351	52,104,657	897,578,246
UTILITIES	45,233,990	45,385,298	47,232,196	49,187,330	51,414,628	885,691,483
AIRPORT	10,702,762	10,988,437	11,368,298	11,755,536	12,150,294	209,306,430
	<u>390,091,059</u>	<u>316,719,041</u>	<u>319,258,585</u>	<u>345,237,745</u>	<u>351,209,683</u>	<u>5,545,408,774</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	10,623,866	10,723,901	10,818,901	10,809,401	10,821,201	169,047,070
DCC FUNDS						
SURPLUS/RESERVE ACCOUNTS	18,174,702	18,030,568	20,324,753	18,429,597	19,671,702	307,308,181
	<u>28,798,568</u>	<u>28,754,469</u>	<u>31,143,654</u>	<u>29,238,998</u>	<u>30,492,903</u>	<u>476,355,250</u>
TOTAL EXPENDITURES	<u>418,889,627</u>	<u>345,473,510</u>	<u>350,402,240</u>	<u>374,476,743</u>	<u>381,702,586</u>	<u>6,021,764,025</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 2012. 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	99,498	24%
Library Requisition	5,085	1%
Parcel Taxes	3,513	1%
Fees & Charges	121,128	29%
Borrowing Proceeds	8,291	2%
Other Sources	59,324	14%
Reserve Funds/Accounts	122,049	29%
Total	418,890	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2012 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	2012 Tax Class Ratios	Tax Revenue (000's)	2011 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	69,264	1.0000:1
02	Utilities	5.3811:1	470	5.6660:1
04	Major Industrial	3.1155:1	351	3.3237:1
05/06	Light Ind/Bus/Other	2.1905:1	29,017	2.3714:1
09	Farm Land	0.1363:1	10	0.1493:1
91	Farm Improvements	0.5003:1	386	0.5174:1
	Total Revenues		99,498	

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 2012 (based on 2011 assessment totals and tax rates) is \$4,238,321. The following breaks down the total into various exemption categories and the exemption value for the category:

Schedule A - Places of Worship - \$621,524
Schedule B - Private schools - \$508,164
Schedule C - Hospitals - \$ 1,696,197
Schedule D - Special Needs Housing - \$ 67,743
Schedule E - Social Services - \$202,585
Schedule F - Public Park, Athletic or Recreational - \$ 806,094
Schedule G - Cultural - \$275,660
Schedule H & I - Partnering, Heritage or Other Special Exemptions Authority - \$60,354

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.