

CITY OF KELOWNA

BYLAW NO. 12338

Five-Year Financial Plan 2022-2026

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 1, 2022 to and including December 31, 2026.
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, 2022-2026, No. 12338".

Read a first, second and third time by the Municipal Council this 25th day of April, 2022.

Adopted by the Municipal Council of the City of Kelowna this 2nd day of May, 2022.

Mayor

City Clerk

BL12501 replaced schedule 'A'

Schedule "A"
Financial Plan 2022 - 2026

	2022 Amended Budget	2022	2023	2024	2025	2026	2027-2030
Revenue							
Property Value Tax	167,107,316	167,107,316	179,522,375	191,801,552	204,813,609	215,669,897	940,159,269
Library Requisition	7,044,000	7,044,023	7,184,903	7,328,602	7,475,174	7,624,677	32,054,448
Parcel Taxes	6,968,388	3,420,974	3,941,636	3,965,038	3,804,203	3,456,841	12,662,470
Fees and Charges	149,430,006	150,005,535	213,977,187	225,910,172	239,006,280	246,465,323	1,063,681,066
Borrowing Proceeds	7,117,811	7,158,600	-	26,053,200	10,560,000	-	3,830,000
Other Sources	102,632,669	77,169,881	70,729,573	59,588,315	55,953,135	60,148,606	276,738,529
	440,300,190	411,906,329	475,355,674	514,646,879	521,612,401	533,365,344	2,329,125,782
Transfer between Funds							
Reserve Funds	2,514,347	2,319,917	1,018,987	1,018,987	1,018,987	1,018,987	4,075,949
DCC Funds	39,553,199	37,425,860	28,264,914	34,031,463	36,559,002	35,863,936	165,616,918
Surplus/Reserve Accounts	240,632,423	206,914,336	78,307,796	52,726,789	65,029,541	56,828,498	207,146,830
	282,699,969	246,660,113	107,591,697	87,777,239	102,607,530	93,711,421	376,839,697
Total Revenue	723,000,159	658,566,442	582,947,371	602,424,118	624,219,931	627,076,765	2,705,965,479
Expenditures							
Municipal Debt							
Debt Interest	3,702,099	3,694,690	4,162,325	6,044,860	8,532,854	10,050,872	39,490,366
Debt Principal	9,593,546	8,847,932	7,654,270	7,885,874	10,911,346	13,248,530	48,035,228
Capital Expenditures	330,494,687	273,558,700	155,020,452	154,084,439	148,709,078	133,443,167	576,459,501
Other Municipal Purposes							
General Government	37,103,554	35,548,877	39,501,887	40,473,724	41,466,844	42,621,132	182,734,891
Planning, Development							
& Building Services	34,256,816	33,173,416	26,023,038	26,596,068	27,400,651	27,371,013	119,155,373
Community Services	98,904,869	99,961,295	103,041,317	106,205,449	109,481,906	112,688,935	485,206,409
Protective Services	94,740,432	90,581,801	84,395,912	89,607,971	94,403,331	98,854,158	430,467,334
Utilities	27,123,959	25,659,161	23,515,668	24,184,209	25,281,998	25,981,311	111,405,897
Airport	19,974,967	19,974,967	30,114,952	31,423,042	32,757,421	35,275,058	150,430,052
	655,894,929	591,000,839	473,429,821	486,505,636	498,945,430	499,534,177	2,143,385,050
Transfers between Funds							
Reserve Funds	28,860,451	28,603,562	30,285,675	30,427,080	30,193,089	31,158,937	124,289,996
DCC Funds	-	-	-	-	-	-	-
Surplus/Reserve Accounts	38,244,779	38,962,041	79,231,875	85,491,402	95,081,412	96,383,651	438,290,433
	67,105,230	67,565,603	109,517,550	115,918,482	125,274,501	127,542,588	562,580,429
Total Expenditures	723,000,159	658,566,442	582,947,371	602,424,118	624,219,931	627,076,765	2,705,965,479

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;
- (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 2022. 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.
 - Active Living & Culture Fees and Charges – 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	167,107	25%
Library Requisition	7,044	1%
Parcel Taxes	3,421	1%
Fees and Charges	150,005	23%
Borrowing Proceeds	7,159	1%
Other Sources	77,170	12%
Reserve Funds/Accounts	246,660	37%
Total	658,566	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2022 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 3:1 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	2022 Tax Class Ratios	Tax Revenue \$ (000's)	2021 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	116,612	1.0000:1
02	Utilities	6.0783:1	762	4.9179:1
04	Major Industrial	7.5328:1	0	5.8504:1
05/06	Light Ind/Bus/Other	2.5451:1	49,048	2.2556:1
09	Farm Land	0.2052:1	12	0.1639:1
91	Farm Improvements	0.4905:1	674	0.5081:1
	Total Revenues		167,108	

Property 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 2022 (based on 2021 assessment totals and tax rates) is \$4,406,882. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 412,616

Private schools - \$ 282,879

Hospitals - \$ 20,129

Special Needs Housing - \$ 63,730

Social Services - \$ 317,280

Public Park, Athletic or Recreational - \$ 439,356

Cultural - \$ 449,713

Partnering, Heritage or Other Special Exemptions Authority - \$ 395,649

Revitalization - \$2,025,530

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.