

CITY OF KELOWNA

BYLAW NO. 12502

Five-Year Financial Plan 2023-2027

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, 2023 to and including December 31, 2027.
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, 2023-2027, No. 12502".

Read a first, second and third time by the Municipal Council this 24th day of April, 2023.

Adopted by the Municipal Council of the City of Kelowna this 1st day of May, 2023.

Mayor

City Clerk

Schedule "A"
Financial Plan 2023 - 2027

	2023	2024	2025	2026	2027	2028-2030
Revenue						
Property Value Tax	176,624,339	188,279,055	200,295,838	213,266,188	225,313,048	723,943,923
Library Requisition	7,325,200	7,471,704	7,621,138	7,773,561	7,929,032	24,751,330
Parcel Taxes	3,433,673	3,386,926	3,226,092	2,878,729	2,643,767	7,706,257
Fees and Charges	166,752,954	168,998,093	176,296,845	181,604,696	185,477,990	607,768,371
Borrowing Proceeds	8,507,400	161,039,504	50,989,600	0	0	6,321,200
Other Sources	90,079,744	64,924,162	68,236,877	65,808,081	64,104,429	192,860,588
	452,723,310	594,099,445	506,666,391	471,331,255	485,468,266	1,563,351,669
Transfer between Funds						
Reserve Funds	2,399,489	1,803,987	4,018,987	5,018,987	5,018,987	4,271,961
DCC Funds	55,191,710	27,879,895	45,071,243	42,110,785	72,931,463	131,287,135
Surplus/Reserve Accounts	269,856,570	73,537,991	74,663,418	52,310,615	67,176,349	243,984,608
	327,447,769	103,221,873	123,753,649	99,440,388	145,126,799	379,543,705
Total Revenues	780,171,079	697,321,318	630,420,039	570,771,643	630,595,065	1,942,895,374
Expenditures						
Municipal Debt						
Debt Interest	3,980,837	5,854,736	10,057,004	13,579,814	15,783,808	46,825,315
Debt Principal	6,918,584	7,140,895	9,295,237	13,569,554	14,561,097	43,009,316
Capital Expenditures	367,208,100	288,733,676	204,324,905	129,728,128	173,098,283	427,984,615
Other Municipal Purposes						
General Government Planning, Development & Building Services	38,935,773	44,982,463	47,990,399	51,232,650	54,614,371	185,472,621
Community Services	35,969,865	29,502,083	29,279,911	30,240,946	31,205,486	99,725,484
Protective Services	102,941,048	105,058,206	108,811,337	112,228,174	115,657,991	368,692,809
Utilities	94,492,441	88,067,171	91,149,022	94,369,042	97,594,381	313,263,910
Airport	27,894,607	26,681,298	27,473,602	28,278,225	28,981,397	92,258,679
	22,666,780	23,045,145	24,379,339	26,662,772	27,403,596	86,108,813
	701,008,035	619,065,673	552,760,756	499,889,305	558,900,411	1,663,341,561
Transfers between Funds						
Reserve Funds	31,694,307	31,556,581	32,324,994	32,376,236	32,439,085	97,164,211
DCC Funds	0	0	0	0	0	0
Surplus/Reserve Accounts	47,468,737	46,699,064	45,334,289	38,506,102	39,255,570	182,389,601
	79,163,044	78,255,645	77,659,283	70,882,338	71,694,655	279,553,812
Total Expenditures	780,171,079	697,321,318	630,420,039	570,771,643	630,595,065	1,942,895,374

Note: Totals may not add due to rounding.

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 2023. 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	176,624	23%
Library Requisition	7,325	1%
Parcel Taxes	3,434	1%
Fees and Charges	166,753	21%
Borrowing Proceeds	8,507	1%
Other Sources	90,080	11%
Reserve Funds/Accounts	327,448	42%
Total	780,171	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2023 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	2023 Tax Class Ratios	Tax Revenue \$ (000's)	2022 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	123,529	1.0000:1
02	Utilities	5.7720:1	788	6.0783:1
04	Major Industrial	8.5581:1	0	7.5328:1
05/06	Light Ind/Bus/Other	2.4594:1	51,603	2.5451:1
09	Farm Land	0.2307:1	12	0.2052:1
91	Farm Improvements	0.5149:1	692	0.4905:1
	Total Revenues		176,624	

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 2023 (based on 2022 assessment totals and tax rates) is \$3,866,297. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 324,543

Private schools - \$ 77,641

Hospitals - \$ 16,239

Special Needs Housing - \$ 70,002

Social Services - \$ 344,793

Public Park, Athletic or Recreational - \$ 414,701

Cultural - \$ 455,857

Partnering, Heritage or Other Special Exemptions Authority - \$ 376,521

Revitalization - \$1,786,000

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.