

City of Kelowna

Regular Council Meeting

AGENDA



Monday, November 19, 2018

9:00 am

Knox Mountain Meeting Room (#4A)

City Hall, 1435 Water Street

Pages

1. Call to Order

2. Confirmation of Minutes

3 - 7

Regular AM Meeting - October 1, 2018

Regular Meeting - October 9, 2018

3. Resolution Closing the Meeting to the Public

THAT this meeting be closed to the public pursuant to Section 90(1) (f) and (i) of the Community Charter for Council to deal with matters relating to the following:

- Law Enforcement
- Solicitor-Client Privilege

4. Adjourn to Closed Session

5. Reconvene to Open Session

6. Reports

6.1 City Clerk, Verbal Report, re: 2019 Council Meeting Schedule

5 m

To review the draft 2019 Council Meeting Schedule.

6.2 Financial Services Presentations

120 m

8 - 106

To provide Council with an overview of the financial areas of the City.

7. Issues Arising from Correspondence & Community Concerns

7.1 Mayor Basran, re: Issues Arising from Correspondence

30 m

8. Termination



**City of Kelowna
Regular Council Meeting
Minutes**

Date: Monday, October 1, 2018
 Location: Knox Mountain Meeting Room (#4A)
 City Hall, 1435 Water Street

Members Present Mayor Colin Basran, Councillors Maxine DeHart, Ryan Donn, Gail Given, Tracy Gray, Charlie Hodge, Brad Sieben* and Luke Stack

Members Absent Councillor Mohini Singh

Staff Present City Manager, Doug Gilchrist; City Clerk, Stephen Fleming

(* Denotes partial attendance)

1. Call to Order

Mayor Basran called the meeting to order at 9:02 a.m.

2. Confirmation of Minutes

Moved By Councillor Hodge/Seconded By Councillor Donn

R932/18/10/01 THAT the Minutes of the Regular AM Meeting of September 6, 2018 and September 24, 2018 be confirmed as circulated.

Carried

3. Resolution Closing the Meeting to the Public

Moved By Councillor Stack/Seconded By Councillor Hodge

R933/18/10/01 THAT this meeting be closed to the public pursuant to Section 90(1) (a), (e), (f), (g) and (j) of the Community Charter for Council to deal with matters relating to the following:

- Position Appointment
- Acquisition, Disposition or Expropriation of Land or Improvement
- Bylaw Enforcement
- Litigation
- Third Party Business Information

Carried

4. Adjourn to Closed Session

The meeting adjourned to a closed session at 9:03 a.m.

5. Reconvene to Open Session

The meeting reconvened to an open session at 10:09 a.m. with Councillor Sieben in attendance.

6. Issues Arising from Correspondence & Community Concerns

6.1 Councillor Given, re: Access to Parkinson Activity Centre

Councillor Given:

- Questions raised by Pickleball users as to use and allocation of time at Parkinson Activity Centre.
- Pickleball users would like to use Parkinson Activity Centre.

Councillor Stack:

- Parkinson Recreation Centre has provided a gym Monday evening and insufficient players signed up.
- Will follow up with a Service Request.

6.2 Councillor Gray, re: Chamber of Commerce

Councillor Gray:

- The Chamber of Commerce asked if a date has been set for when Capri-Landmark is scheduled to come back to Council.

City Manager:

- No date has been set but probably late fall.

6.3 Councillor Stack, re: Capri Master Plan

Councillor Stack:

- Would like an update on status of the ice rink proposed as part of the Capri redevelopment, specifically who will operate, will it be open to the public, and who controls access.

City Manager:

- Will provide an update.

Council:

- Raised questions regarding whether there is a moratorium on development in the Capri Landmark area.

City Clerk:

- Council resolution from 2016 included a moratorium; wording will be circulated to Council.

City Manager:

- Confirmed staff offered to meet with three disaffected property owners prior to Council meeting and the owners declined the offer.

6.4 Councillor Gray, re: Centre of Gravity

Councillor Gray:

- The Chamber of Commerce is looking for when to contact with input on Centre of Gravity.

City Manager:

- Staff contact is Jim Gabriel, Divisional Director, Active Living & Culture.

6.5 Councillor Sieben, re: Rental Availability Statistics and Vacancy Rates

Councillor Sieben:

- Raised questions on how this is determined and tracked.

City Manager:

- Rely on senior government statistics however it does have a margin of error.

6.6 Mayor Basran, re: Commute from Upper Mission

Mayor Basran:

- Inquired if there were any Council resolutions regarding timing or sequencing of cross walk lights on Lakeshore Road and on Gordon Drive.

Council:

- Provided individual comments.

Moved By Councillor Sieben/Seconded By Councillor Donn

R934/18/10/01 THAT Council directs staff to look into crosswalk signal timing on Lakeshore Road and Gordon Drive with suggestions on how to maintain traffic flow while ensuring safety of children during the morning commute and report back to Council.

Carried

7. Termination

The meeting was declared terminated at 10:45 a.m.

Mayor Basran

/sf/acm

City Clerk



City of Kelowna Regular Council Meeting Minutes

Date: Tuesday, October 9, 2018
 Location: Knox Mountain Meeting Room (#4A)
 City Hall, 1435 Water Street

Members Present Mayor Colin Basran, Councillors Ryan Donn, Gail Given, Tracy Gray, Charlie Hodge, Mohini Singh and Luke Stack*

Members Absent Councillors Maxine DeHart and Brad Sieben

Staff Present City Manager, Doug Gilchrist; City Clerk, Stephen Fleming; Divisional Director, Active Living & Culture, Jim Gabriel*

(* Denotes partial attendance)

1. Call to Order

Mayor Basran called the meeting to order at 5:32 p.m.

2. Issues Arising from Correspondence & Community Concerns

2.1 Kelowna and District Safety Council

Mayor Basran:

- Provided comments on the current financial situation of the Kelowna and District Safety Council.

Councillor Donn:

- Provided comments on the current financial situation of the Kelowna and District Safety Council.

Councillor Stack joined the meeting at 5:34 p.m.

Staff:

- The Kelowna and District Safety Council already receive funding and a permissive tax exemption from the City.
- Suffered damages due to flooding as a result of vandalism.
- They do not qualify for the City grant programs.
- Revenue sources impacted by heavy smoke experienced in the Valley earlier this year.
- Will have to close if emergency funding is not received.
- They need \$10,000 by the end of the month and another \$10,000 by the end of the year.
- Recommend a grant of \$5,000.00 which is the maximum grant application had they been eligible to apply for one with conditions.
- Responded to questions from Council.

Moved By Councillor Donn/Seconded By Councillor Stack

R988/18/10/09 THAT Council provide assistance of \$5,000.00 to the Kelowna and District Safety Council subject to the Safety Council providing City staff with a business plan.

Carried

3. Resolution Closing the Meeting to the Public

Moved By Councillor Donn/Seconded By Councillor Singh

R989/18/10/09 THAT this meeting be closed to the public pursuant to section 90(1)(i) of the Community Charter for Council to deal with matters relating to the following:

- legal advice.

Carried

4. Adjourn to Closed Session

The meeting adjourned to a closed session at 5:43 p.m.

5. Reconvene to Open Session and Termination

The meeting reconvened to an open session and was terminated at 6:00 p.m.

Mayor Basran

/sf/acm

City Clerk

Report to Council



Date: Date
File: 0220-20
To: City Manager
From: George King, Financial Planning Manager
Subject: Financial Services Presentations

Recommendation:

THAT Council receives, for information, the presentations from the Divisional Director, Financial Services, the Financial Planning Manager, the Senior Airport Finance & Corporate Services Manager dated November 19, 2018 regarding financial services Council orientation.

Purpose:

To provide Council with an overview of the financial areas of the City.

Background:

See attached PowerPoint presentations.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

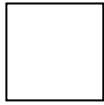
Communications Comments:

Alternate Recommendation:

Submitted by:

G. King, Financial Planning Manager

Approved for inclusion:



cc: Genelle Davidson, Divisional Director, Financial Services; Shayne Dyrda, Senior Airport Finance & Corporate Services Manager



Kelowna International Airport

Kelowna International Airport

- ▶ Self-funded
 - ▶ Not funded through taxation
- ▶ Impact on taxation
 - ▶ Administration fee
 - ▶ 2019 - \$1.3 million
 - ▶ Indirect
 - ▶ Aerospace campus property taxes

Kelowna International Airport

- ▶ Capital intensive
 - ▶ 2017 Cash Flow

	2017
Opening cash, cash equivalents and investments	\$25,721,000
Operating cash inflows	18,787,000
Capital cash outflows	(22,354,000)
Issuance of debt	8,000,000
Repayment of debt	(3,432,000)
Closing cash, cash equivalents and investments	\$26,722,000

Kelowna International Airport

- ▶ Revenues (2017 - \$32 million)
 - ▶ Airport Improvement Fee (AIF - \$13 million)
 - ▶ Use restricted for airport-related capital infrastructure
 - ▶ Non-AIF
 - ▶ Aeronautical
 - ▶ Landing fees (\$4 million)
 - ▶ Terminal fees (\$3 million)
 - ▶ Non-aeronautical
 - ▶ Parking (\$6 million)
 - ▶ Car rental (\$3 million)
 - ▶ Land and building rental (\$1 million)
 - ▶ Food and beverage (\$1 million)

Kelowna International Airport

► Debt

► Municipal Financing Authority

- October 2015 - \$7.5 million
- April 2016 - \$3.5 million
- October 2016 - \$3.0 million
- April 2017 - \$8.0 million

► Debt repayment schedule

	2019 - 2025	2026	2027	Total
Principal	\$1,897,000	\$1,258,000	698,000	15,235,000
Interest	584,000	333,000	112,000	4,533,000
Total	\$2,481,000	\$1,591,000	810,000	\$19,768,000

Kelowna International Airport

► Financial Objectives

- Remain a low-cost airport
- Increase non-aeronautical revenues
- Do not exceed \$40 million in debt outstanding
- Remain self-funding
 - Maintain non-AIF cash balance greater than \$10 million
 - Build up an emergency cash balance equal to six months' of operating expenditures



Questions?

For more information, visit kelowna.ca.



2018 Council Orientation

Financial Services - Planning & Reporting



AGENDA

What legislated financial documents does the City produce?

- ▶ Annual Budget & 5 Year Financial Plan
- ▶ Financial Statements & Annual Report
- ▶ Statement of Remuneration

When does Council review?

- ▶ Kelowna process

How does Council influence

- ▶ Objectives & Policies

AGENDA CON'T

- ▶ Summary of 2018 Budget & 5 Year Financial Plan
- ▶ Summary of 2017 Financial Statements & Annual Report
- ▶ Summary of 2017 Statement of Remuneration
- ▶ Internal Control Branch
- ▶ Purchasing
- ▶ Business partners
- ▶ What's next - Ongoing
 - ▶ 2019
 - ▶ 2020

WHAT ARE THE LEGISLATED FINANCIAL DOCUMENTS

► Financial Plan

- Calendar year - January to December
- Section 165 Community Charter
- State revenue sources & distribution tax rates
- Financial Plan, adopted annually before the annual property tax bylaw prior to May 15th
- Balanced budget, revenues = expenditures
- Five Year planning period
- Amendments by bylaw
- Public consultation

WHAT ARE THE LEGISLATED FINANCIAL DOCUMENTS

▶ **Financial Statements & Annual Report**

- ▶ Calendar year – January to December
- ▶ Section 167 Community Charter
- ▶ Council accepts audited Financial Statements prior to May 15
- ▶ Submit to Provincial Inspector by May 15
- ▶ Annual Report and Statement of Remuneration to Council and Province by June 30
- ▶ Available for public inspection

WHEN DOES COUNCIL REVIEW

2019 Financial Plan process

- ▶ Vol. 1 Provisional Budget – December 13
 - ▶ January 1 to December 31
- ▶ Vol. 2 Carryover Requests – March 18
 - ▶ From 2018, funding to carry-over
- ▶ Vol. 3 Final Budget – April 29
 - ▶ Final assessment information
 - ▶ 5 Year Financial Plan and Bylaw

2020 Budget preparation

- ▶ Budget outlook meeting beginning September

BUDGET SCHEDULE

Budget process segment	Q1	Q2	Q3	Q4
Provisional Budget				✓
Carryover Budget	✓			
Final Budget		✓		
Budget Outlook			✓	
Budget Amendments	✓			
10 Year Capital Plan		✓		

WHEN DOES COUNCIL REVIEW

▶ **2018 Financial Statement & Annual Report process**

- ▶ Interim Audit 2nd week of December
- ▶ Final Audit 2 weeks in March
- ▶ Council Audit Committee meeting end of April
- ▶ Financial Statements to Council 1st week in May
- ▶ Financial Statements to Inspector May 15

WHEN DOES COUNCIL REVIEW

- ▶ **2018 Financial Statement & Annual Report process**
 - ▶ Annual Report to Council mid-June
 - ▶ Annual Report to Province June 30th
 - ▶ Statement of Remuneration to Council mid-June
 - ▶ Statement of Remuneration to Province June 30th

FINANCIAL STATEMENT SCHEDULE

Financial Statement/Annual Report process segment	Q1	Q2	Q3	Q4
Interim Audit				✓
Final Audit	✓			
Audit Committee		✓		
Financial Statements Council & Province		✓		
Annual Report Council & Province		✓		
Statement of Remuneration, expenses, contracts to Council and Province		✓		

HOW DOES COUNCIL INFLUENCE

Policy and Rate Reviews

Official Community Plan

Capital Planning

20 year Servicing Plan

10 year Capital Plan

Pay as you go capital

HOW DOES COUNCIL INFLUENCE

Tax Distribution Policy

Permissive Exemption Policy

Debt Policy

Reserve Policy

Investment Policy

Financial Statement Results, Surplus

FINANCIAL PRINCIPLES & STRATEGIES

- ▶ Assets – New
- ▶ Assets – Renew
- ▶ Debt
- ▶ Development Financing
- ▶ Grants
- ▶ Operations
- ▶ Partnerships & Enterprise
- ▶ Property Taxation
- ▶ Reserves & Surplus Funds
- ▶ User Fees & Charges

2019 BUDGET AND 5-YEAR FINANCIAL PLAN

DETAIL WHAT GOES INTO BUDGET

- ▶ Bylaw #10950, memo to Council
- ▶ Required listing of revenues and expenditures
- ▶ Consolidated Plan includes all 'Funds'
 - ▶ General Fund – taxation
 - ▶ Utility Funds - self supporting, user fees
 - ▶ Wastewater, Water, Airport

FUNDING SOURCES & % OF REVENUE

Revenue Source	Revenue \$ (000's)	% of Revenue
Property Value Tax	133,481	26%
Library Requisition	6,208	1%
Parcel Taxes	3,183	1%
Fees & Charges	120,340	23%
Borrowing Proceeds	4,950	1%
Other Sources	120,141	23%
Reserve Funds/Accounts	130,276	25%
Total	518,579	100%

DISTRIBUTION OF PROPERTY TAX VALUES

- ▶ Tax Distribution Policy
 - ▶ Policy – equalize tax impact
 - ▶ New construction revenue, market change
 - ▶ Consider Options
 - ▶ Kelowna's ratios
- ▶ Total 2018 Assessment - \$35.7 Billion

DISTRIBUTION OF PROPERTY TAX VALUES

Property Class	Description	2018 Tax Class Ratios	Tax Revenue (000's)
01/08/03	Res/Rec/NP/SH	1.0000:1	93,168
02	Utilities	5.5475:1	658
04	Major Industrial	6.6176:1	441
05/06	Light Ind/Bus/Other	2.3777:1	38,667
09	Farm Land	0.1524:1	10
91	Farm Improvements	0.4987:1	537
Total Revenues			133,481

2018 Business Tax Class Multiples

Municipality	Business
Kelowna	2.38
Kamloops	2.55
Nanaimo	2.89
Abbotsford	2.99
Richmond	3.19
Maple Ridge	3.29
Surrey	3.30
Delta	3.37
Victoria	3.53
Langley	3.75
North Vancouver	3.85
Vancouver	4.04
Burnaby	4.19
Saanich	4.26
Coquitlam	4.38

Municipalities
> 75,000
population

USE OF PERMISSIVE TAX EXEMPTIONS

Annual Bylaw passed by Oct 31

Encourage activities that:

- ▶ Match quality of life objectives
- ▶ Direct benefit to the public
- ▶ Otherwise be provided by the City

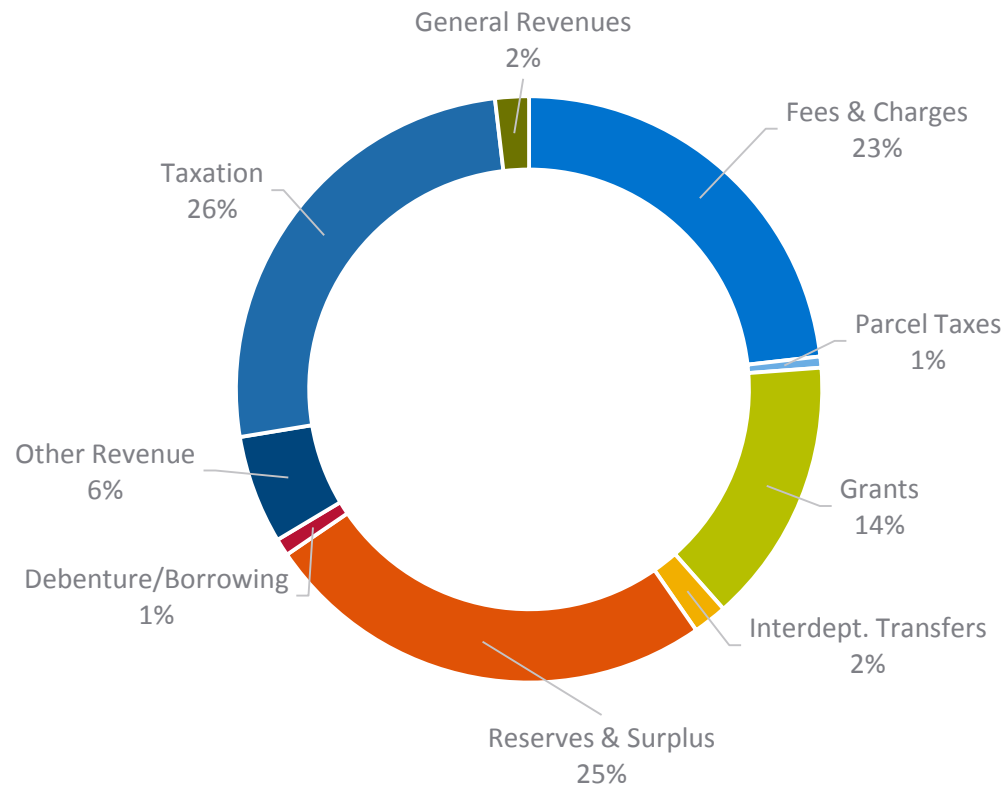
Heritage Exemptions

Revitalization Programs

FUNDING SOURCES – REVENUE TYPES

Percentage of total revenue

Taxation	\$ 133.5M
Parcel Taxes	3.2
Fees and Charges	120.3
Grants	76.0
Interdept. Transfers	9.8
Reserves and Surplus	130.3
Debenture/Borrowing	4.9
Other Revenue	31.0
General Revenues <i>(excluding fees & charges)</i>	9.6



2018 BUDGET

Operating Expenditures	\$ 230.61
Dept. Revenues	(101.91)
Debt	4.52
Taxation Capital	12.66
General Revenues	(12.41)
Gross Tax Demand	133.50
New Construction Revenues	(2.60)

TAXATION

2018 REQUIREMENTS BY TAXING AUTHORITY

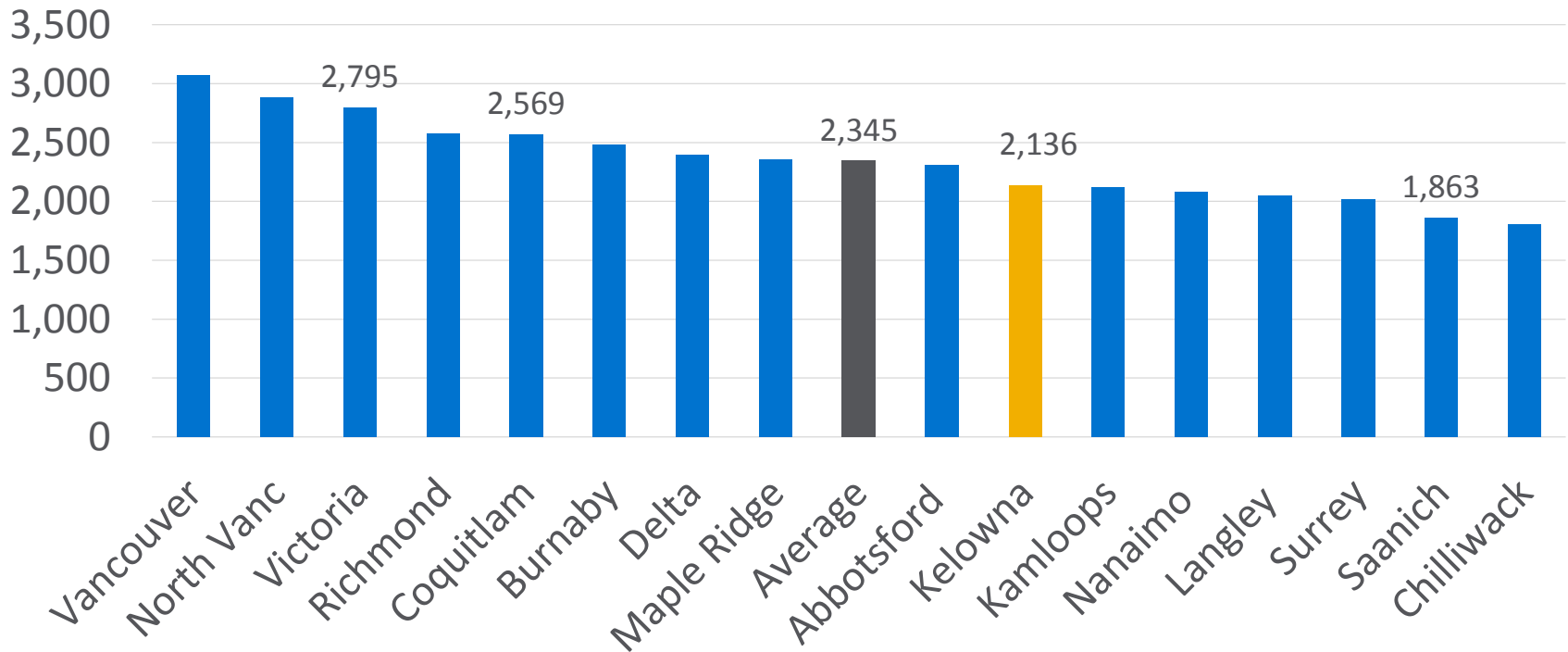
City of Kelowna	56.93%	133,481,167
RDCO	5.10%	11,962,242
Hospital	4.99%	11,705,214
School	29.48%	69,120,918
Library	2.65%	6,208,386
B.C. Assessment	0.84%	1,980,696
Municipal Finance Authority	-	8,922
	1.000	234,467,545

TAX CHANGES & CPI

	<i>BC</i>	<i>Tax</i>
<i>Year</i>	<i>CPI</i>	<i>Increase</i>
2018	2.00%	2.99%
2017	1.90%	3.84%
2016	1.80%	4.11%
2015	2.00%	3.20%
2014	1.61%	2.49%
2013	-0.08%	2.74%
2012	1.12%	1.12%
2011	2.40%	2.47%
2010	1.31%	1.62%
2009	0.00%	3.49%

2018 TAX COMPARISON > 75k

Property Tax on Representative House (\$)



2018 TAX INFORMATION

Municipality	House Value	School	General Municipal Total	Reg. District	Hospital	BCA, MFA and Other	Total Res Variable Rate Taxes	Total Res Parcel Taxes	Total Res. User Fees	Total Residential Property
Vancouver	2,467,292	2,209	3,069	107	0	622	6,008	0	1,371	7,379
Burnaby	1,650,008	1,715	2,485	69	0	416	4,685	541	700	5,927
Richmond	1,700,155	1,815	2,576	72	0	428	4,892	0	1,199	6,091
North Van.	1,656,356	1,601	2,788	74	0	417	4,880	0	1,059	5,939
Victoria	849,778	1,053	2,795	191	195	189	4,422	40	954	5,416
Coquitlam	1,270,465	1,443	2,569	56	0	320	4,388	429	798	5,615
Saanich	630,945	781	1,863	143	144	140	3,072	0	1,141	4,213
Delta	1,033,862	1,171	2,395	46	0	373	3,985	0	1,060	5,045
Maple Ridge	787,088	1,050	2,358	37	0	198	3,644	206	975	4,825
Abbotsford	688,379	1,031	2,311	60	101	28	3,531	0	745	4,276
Kelowna	658,334	955	2,136	172	174	27	3,463	50	827	4,339
Nanaimo	464,403	794	2,081	405	82	19	3,380	14	809	4,203
Surrey	1,118,577	1,301	2,020	48	0	282	3,651	323	1,026	5,000
Langley	827,788	1,027	2,057	40	0	209	3,333	0	1,039	4,372
Kamloops	408,609	810	2,121	134	194	17	3,276	0	884	4,160
Chilliwack	554,246	912	1,803	51	81	157	3,005	0	741	3,746

FEES & CHARGES

- ▶ Fees approved by bylaw
- ▶ Generally match a portion or total of cost of service provided
- ▶ Periodic approval for utilities

FEES & CHARGES (in millions)

- ▶ General Fund \$55.7M
 - ▶ Civic Operations \$26.6
 - ▶ Community Planning & Real Estate \$11.4
 - ▶ Infrastructure \$6.8
- ▶ Utility Funds \$64.6M
 - ▶ Airport- \$32.8
 - ▶ Wastewater- \$16.0
 - ▶ Water - \$11.9

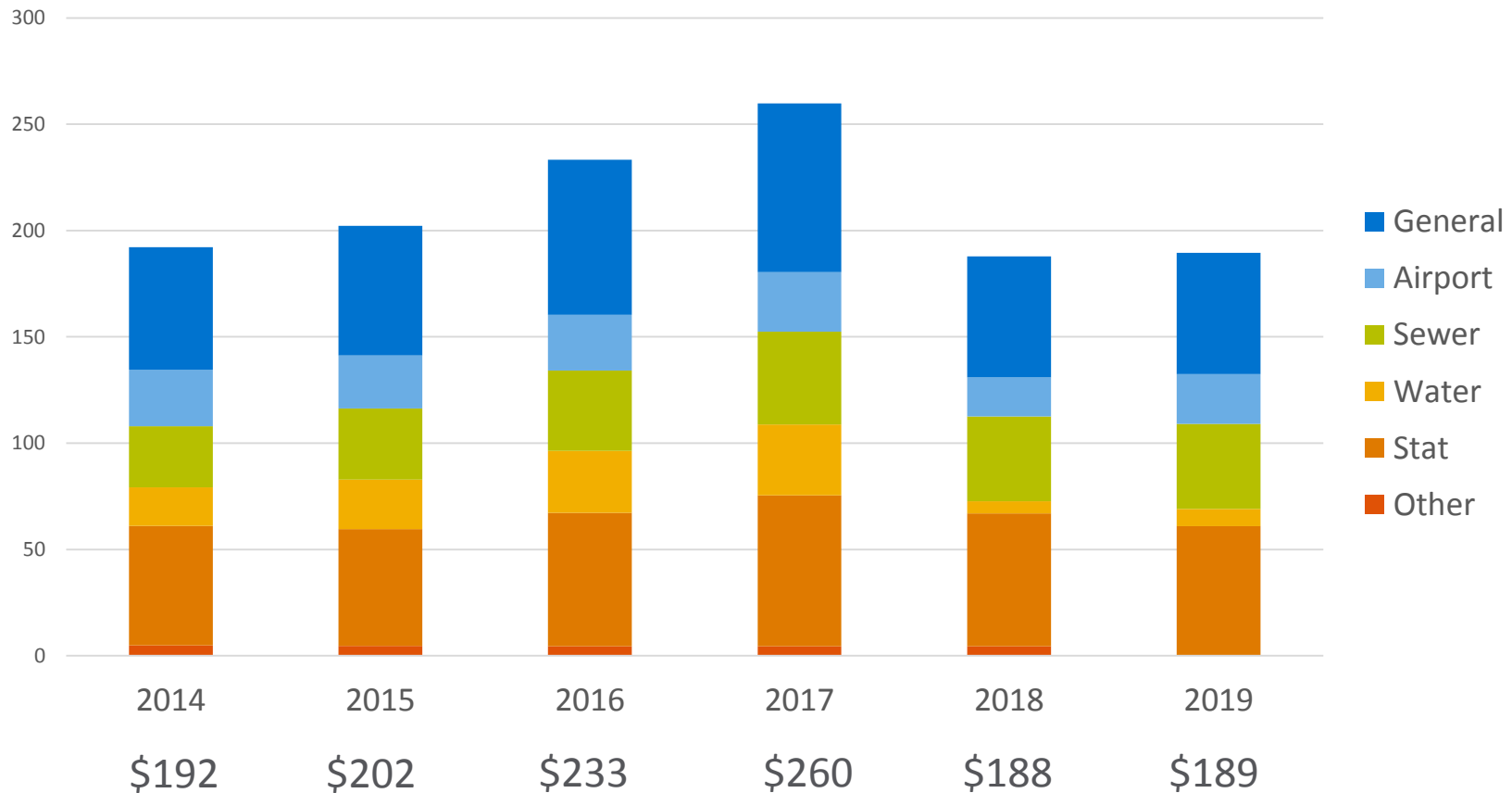
RESERVES AND SURPLUS

- ▶ General Reserves – all funds
 - ▶ Surplus or repayments
- ▶ Statutory Reserves – separate funds
 - ▶ Governed by bylaw
- ▶ DCC – deferred Dev't Charges
 - ▶ Committed to projects

RESERVES AND SURPLUS

- ▶ Council approves reserves
- ▶ Approval of contribution to the reserve
 - ▶ Base budget
 - ▶ Year end surplus (Council Audit Committee)
 - ▶ Carry-over projects
- ▶ Approval of funding from the reserve
 - ▶ Budget process
 - ▶ Amendments during the year

RESERVE BALANCES (Millions)



Legacy Fund

- ▶ LILO Legacy
 - ▶ Fortis shares
 - ▶ Book value of Fortis shares \$63M
 - ▶ LILO termination
 - ▶ \$27M + \$4.5M in reserve
 - ▶ Invested in 1-yr GIC

DEBT

- ▶ Borrowing limit based on 25% of revenues
- ▶ Loan authorization bylaw requires elector approval
- ▶ MFA financing through regional district
- ▶ Short term capital borrowing (<5 yrs)
- ▶ Liability under agreement
- ▶ Revenue anticipation borrowing
- ▶ Internal financing

DEBT

- ▶ Council policy to limit annual net debt repayment to a maximum of 8% of taxation demand
- ▶ Borrowing repaid from other sources:
 - ▶ Airport & Utilities
 - ▶ DCC Revenues
 - ▶ Local area services
 - ▶ Parking

DEBT

Municipality	Population	Long Term Debt	LT Debt/Capita	Debt Serv. Costs	Debt Serv./Capita	Debt Capacity Used	
Vancouver	656,164	1,023,848,000	1,560	176,195,000	269	55.5%	
Surrey	556,566	267,219,000	480	23,447,325	42	33.3%	
Burnaby	234,433	0	0	0	0	0.0%	
Richmond	219,273	37,603,049	171	5,909,324	27	11.3%	
Coquitlam	150,144	18,875,585	126	2,147,112	14	3.3%	
Abbotsford	145,102	58,598,000	404	5,607,000	39	12.6%	
Langley	127,730	107,708,000	843	5,048,004	40	9.3%	
Kelowna	127,330	137,433,022	1,079	24,329,235	191	60.4%	
Saanich	115,864	36,020,592	311	3,707,369	32	7.5%	
Delta	102,679	0	0	230,196	2	0.6%	
Nanaimo	94,743	42,335,511	447	4,461,362	47	2.7%	
Kamloops	92,317	115,988,667	1,256	12,627,391	137	27.4%	
Chilliwack	88,287	3,287,593	37	1,178,674	13	1.1%	
Maple Ridge	87,713	28,273,707	322	4,303,029	49	9.6%	
Victoria	86,130	73,520,607	854	5,382,904	62	17.2%	
North Van.	85,842	40,058,718	467	4,206,282	49	3.3%	

OTHER REVENUES

- ▶ Interest
- ▶ Inter-department Transfers
- ▶ Grants
 - ▶ Gas Tax
 - ▶ Strategic Investment Fund(Traffic Fine)
 - ▶ Gaming

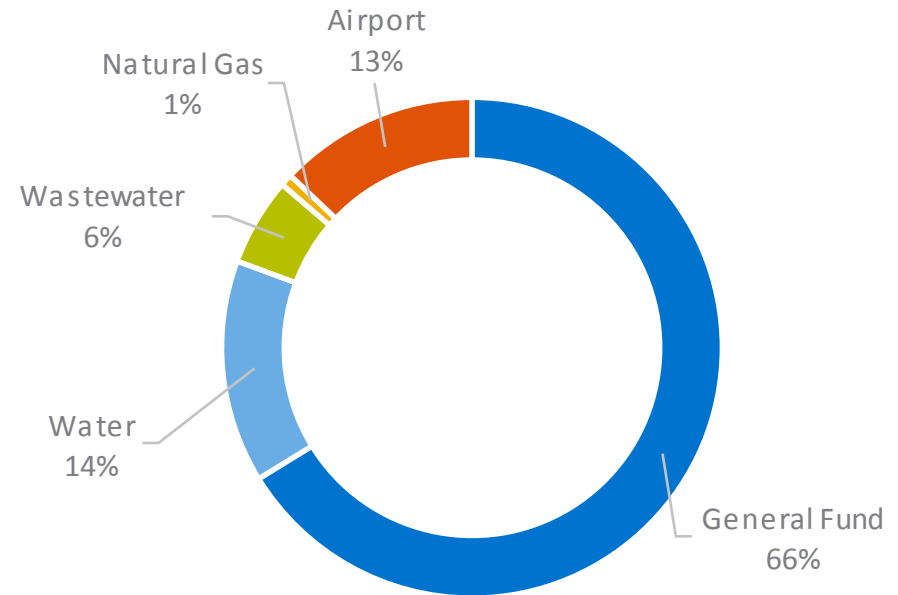
EXPENDITURES

- ▶ Mix of service provision
 - ▶ Debt servicing
 - ▶ Salaries & Wages
 - ▶ Material
 - ▶ Contract services (garbage coll., transit, parks, RCMP)
- ▶ Capital

2018 EXPENDITURES

Expenditures by Fund (in millions)

	Operating	Capital
General Fund	238.5	105.0
Water	13.0	61.6
Wastewater	23.0	6.5
Natural Gas	4.0	-
Airport	40.6	26.4
	319.1	199.5

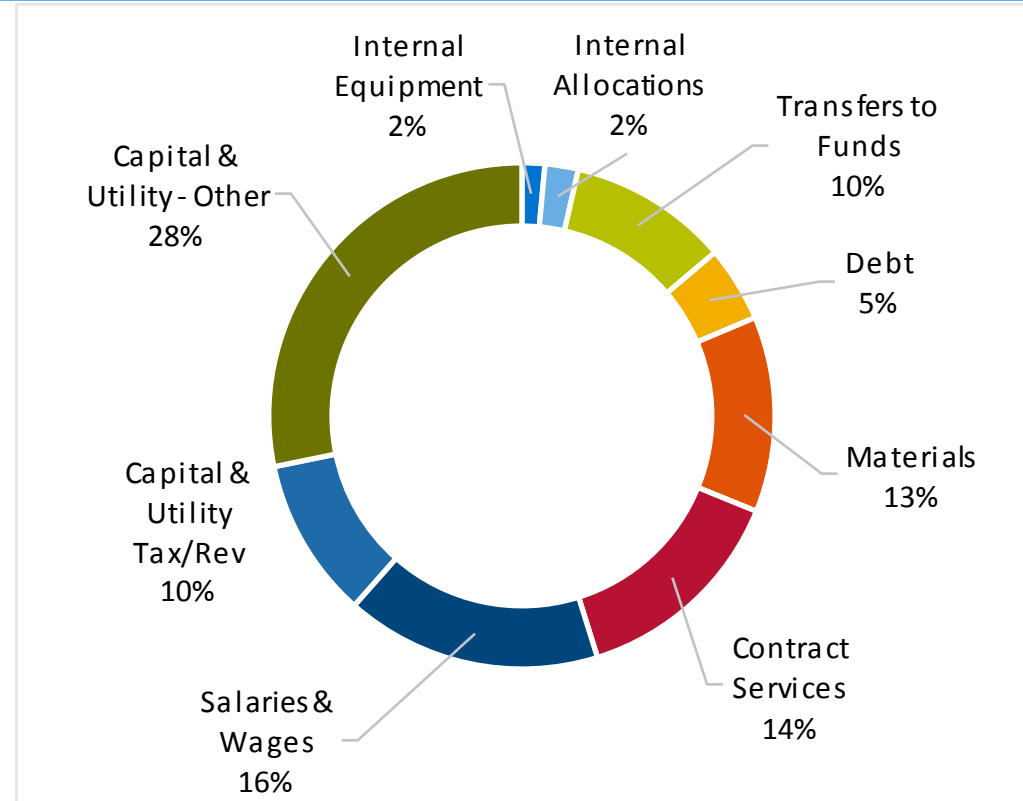


Total **518.6** **518.6 Million**

2018 EXPENDITURES

Expenditures by Type (in millions)

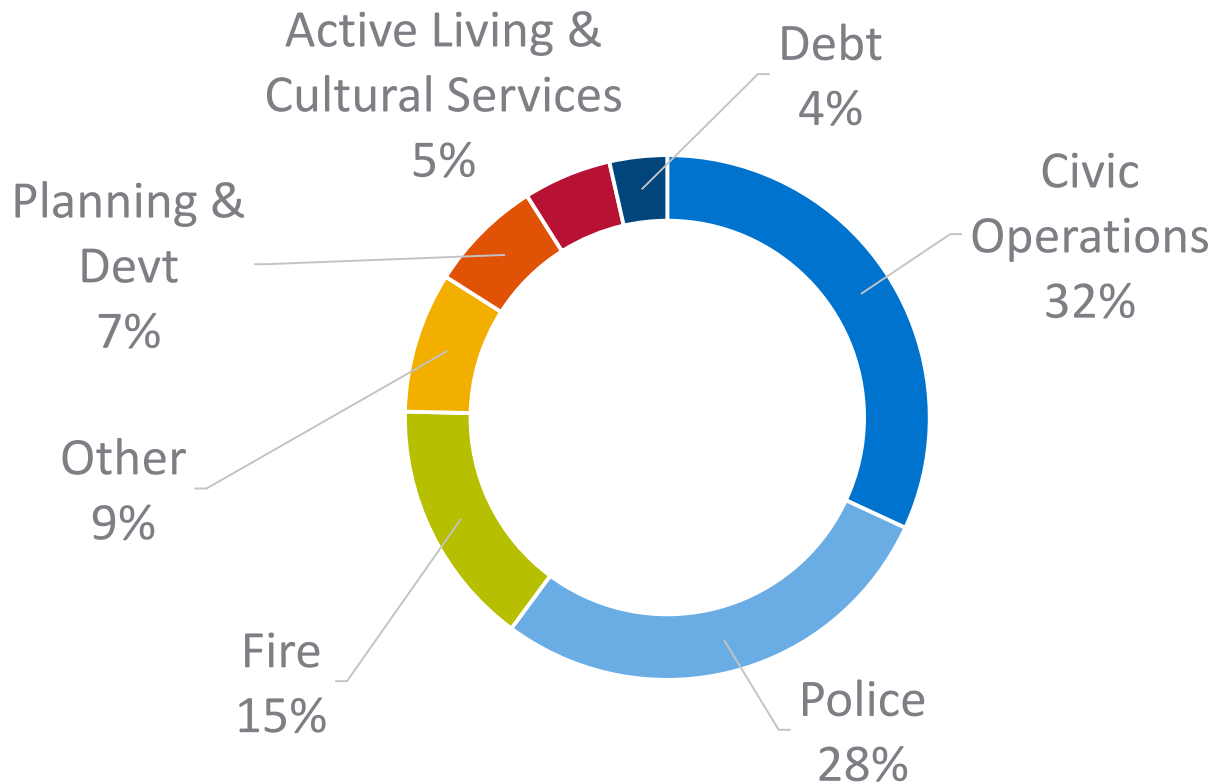
Internal Equipment	7.5
Internal Allocations	11.1
Transfers to Funds	53.0
Debt	25.1
Material	64.9
Contract Services	72.7
Salaries & Wages	84.8
Capital & Utility Tax/Rev	53.2
Capital & Utility - Other	146.3



Total Expenditures 518.6

518.6 Million

EXPENDITURES BY GENERAL FUND AREA



Other (8.7%) includes: Transit (5.7%), Grants (2.5%)

FIVE YEAR FINANCIAL PLAN

- ▶ Operating
 - ▶ Based on growth and inflation
 - ▶ Based on capital project impacts
- ▶ Capital based on the first five years of the 10 Year Capital Plan
- ▶ Utility Models – Operating & Capital
- ▶ New Construction estimates
- ▶ Net Property Owner Impacts

FINANCIAL STATEMENTS & ANNUAL REPORT

- ▶ Produce Statements for each fund
 - ▶ General
 - ▶ Airport
 - ▶ Water
 - ▶ Wastewater

FINANCIAL STATEMENTS & ANNUAL REPORT



- ▶ Consolidated:
 - ▶ Statement of Financial Position
 - ▶ Statement of Operations and Accumulated Surplus
 - ▶ Statement of Changes in Net Financial Assets
 - ▶ Statement of Cash Flows

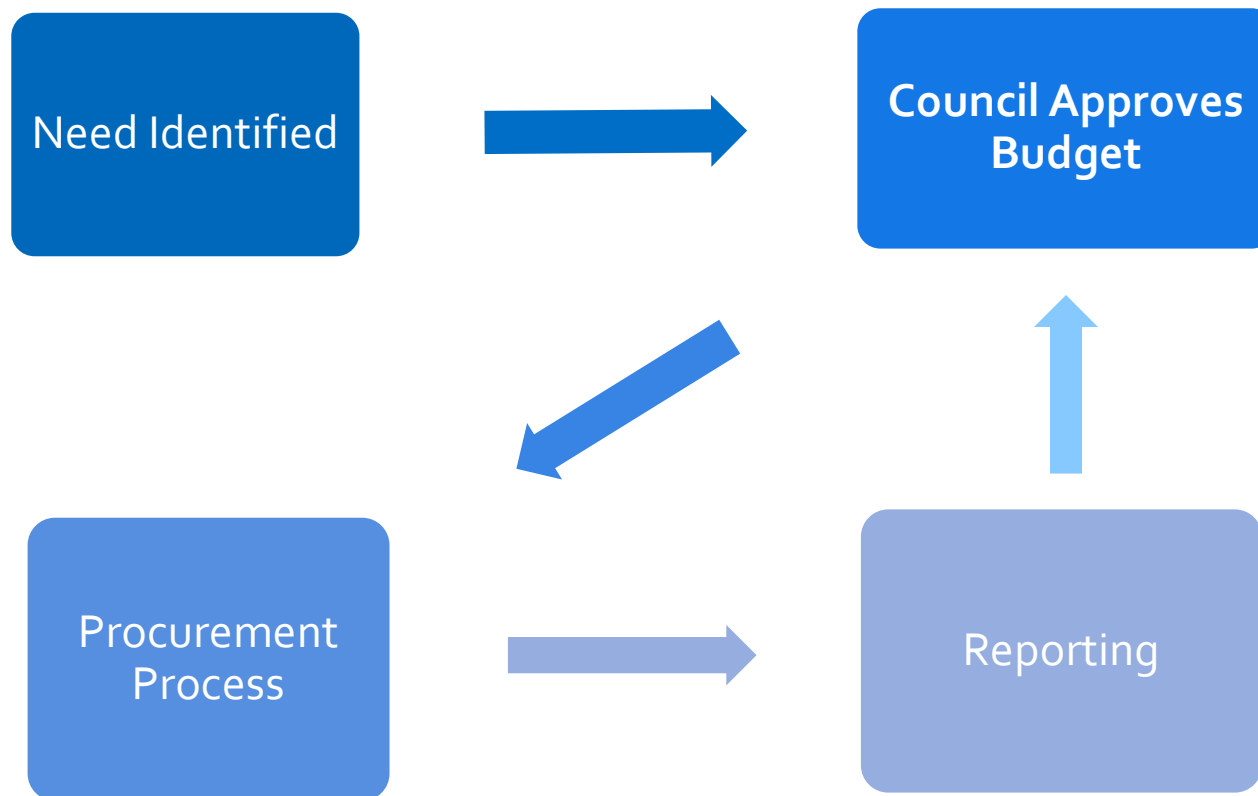
FINANCIAL STATEMENTS & ANNUAL REPORT

- ▶ Statement of Remuneration
 - ▶ Council Salary and Expenses
 - ▶ Staff salary and expenses > \$75k
 - ▶ Supplier payments
 - ▶ Grant provided

INTERNAL CONTROLS

- ▶ Newly formed branch
- ▶ Evaluates and improves:
 - ▶ Risk management
 - ▶ Control
 - ▶ Governance processes
- ▶ Strategic plan

PURCHASING – COUNCIL'S ROLE



PURCHASING BRANCH ROLE

- ▶ Facilitating **Best Value** purchasing for
 - ▶ Goods
 - ▶ Services
 - ▶ Construction
- ▶ **Centralized Purchasing**
 - ▶ All purchasing is under the direction of the Purchasing Branch
 - ▶ Competitive Tendering
 - ▶ Contracting
 - ▶ Purchase Methods

STRENGTHS OF CENTRALIZED PURCHASING

- ▶ Superior Control
 - ▶ Regulatory Adherence
- ▶ Centralized Purchasing Records
 - ▶ Supports review and data analytics
- ▶ Risk Aversion
 - ▶ Collaboration with other City functions
 - ▶ Health and Safety, Risk Management, etc.

BUSINESS PARTNERS

- ▶ Budget assistance
- ▶ Fund management
- ▶ Financial models & plans
- ▶ Systems support
- ▶ Development & implementation:
 - ▶ Procedures
 - ▶ Processes
- ▶ Financial analysis

WHAT'S NEXT

- ▶ Provisional Budget document
 - ▶ Overview to Council – Dec 10
 - ▶ Presented to Council for adoption – Dec 13
- ▶ Principals & Strategies for Financial Strength & Stability
 - ▶ Establish/Update policies & guidelines based on this foundation

PROVISIONAL BUDGET COUNCIL REVIEW PROCESS

▶ December 13th

- ▶ Base budget information - operating changes
- ▶ Operating requests – include 3 year impacts, ongoing/one-time
- ▶ Capital requests – new each year, ongoing operating impact
- ▶ Different funding sources identified

PROVISIONAL BUDGET COUNCIL REVIEW PROCESS

- ▶ December 13th
 - ▶ Review each new operating request
 - ▶ Review each capital request
 - ▶ Priority 1 included in totals
 - ▶ Priority 2 items are not
 - ▶ Division staff attending for questions
 - ▶ Change priorities or add to “Star List” by motion

2019 SCHEDULE

Budget process segment	Q1	Q2	Q3	Q4
2018 Carry over Budget	✓			
2018 Budget Transfers & Amendments	✓			
2019 Final Budget		✓		
2020 Budget Outlook			✓	
2020 Provisional Budget				✓
10 Year Capital Plan		✓		

2019 BUDGET CONSIDERATIONS

- ▶ Other Working Capital
- ▶ Contract settlements, CUPE, IAFF
- ▶ Provision for benefit changes
- ▶ Provision for Canada Revenue Agency changes

Questions ?



2018 Council Orientation Budget Overview



Agenda

- ▶ Overview of municipal budgeting
- ▶ Provisional Budget - Volume 1
- ▶ Infrastructure Levy
- ▶ Carryover Budget - Volume 2
- ▶ Final Budget - Volume 3

Overview of Municipal Budget



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Kelowna

British Columbia

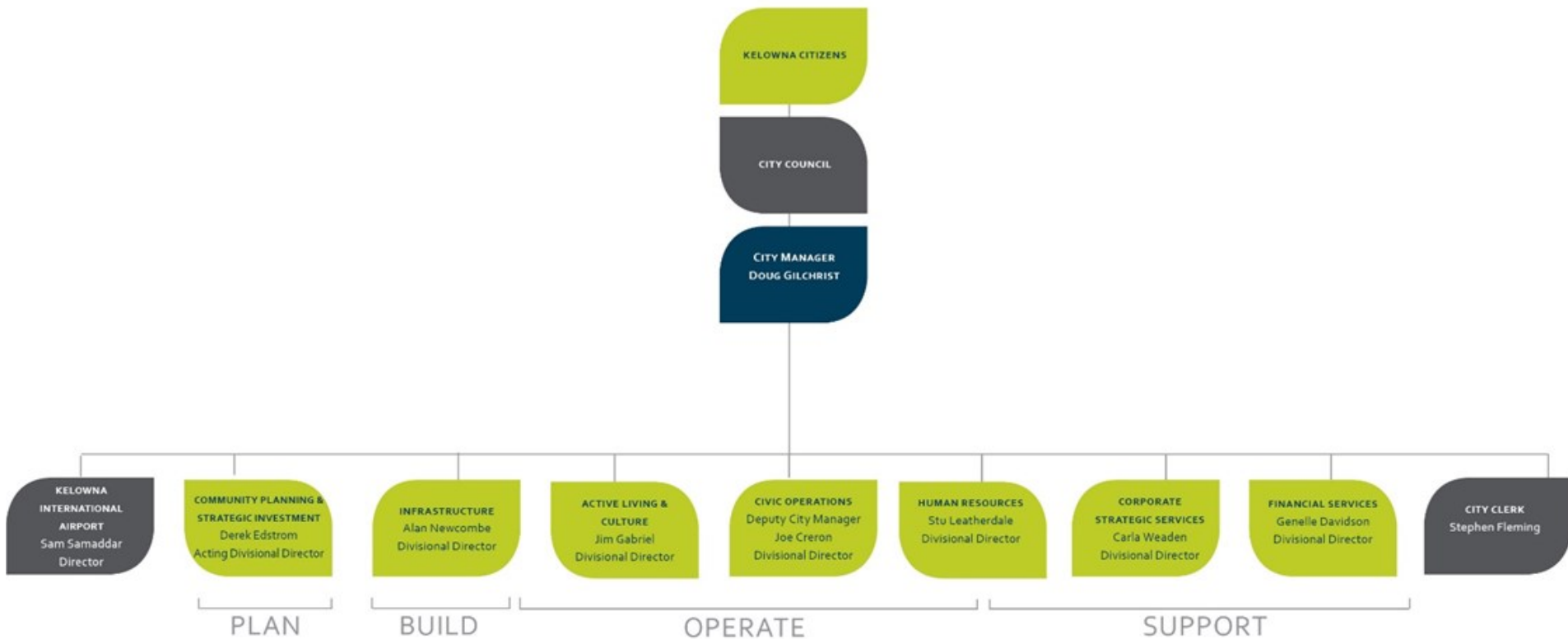
For the Fiscal Year Beginning

January 1, 2018

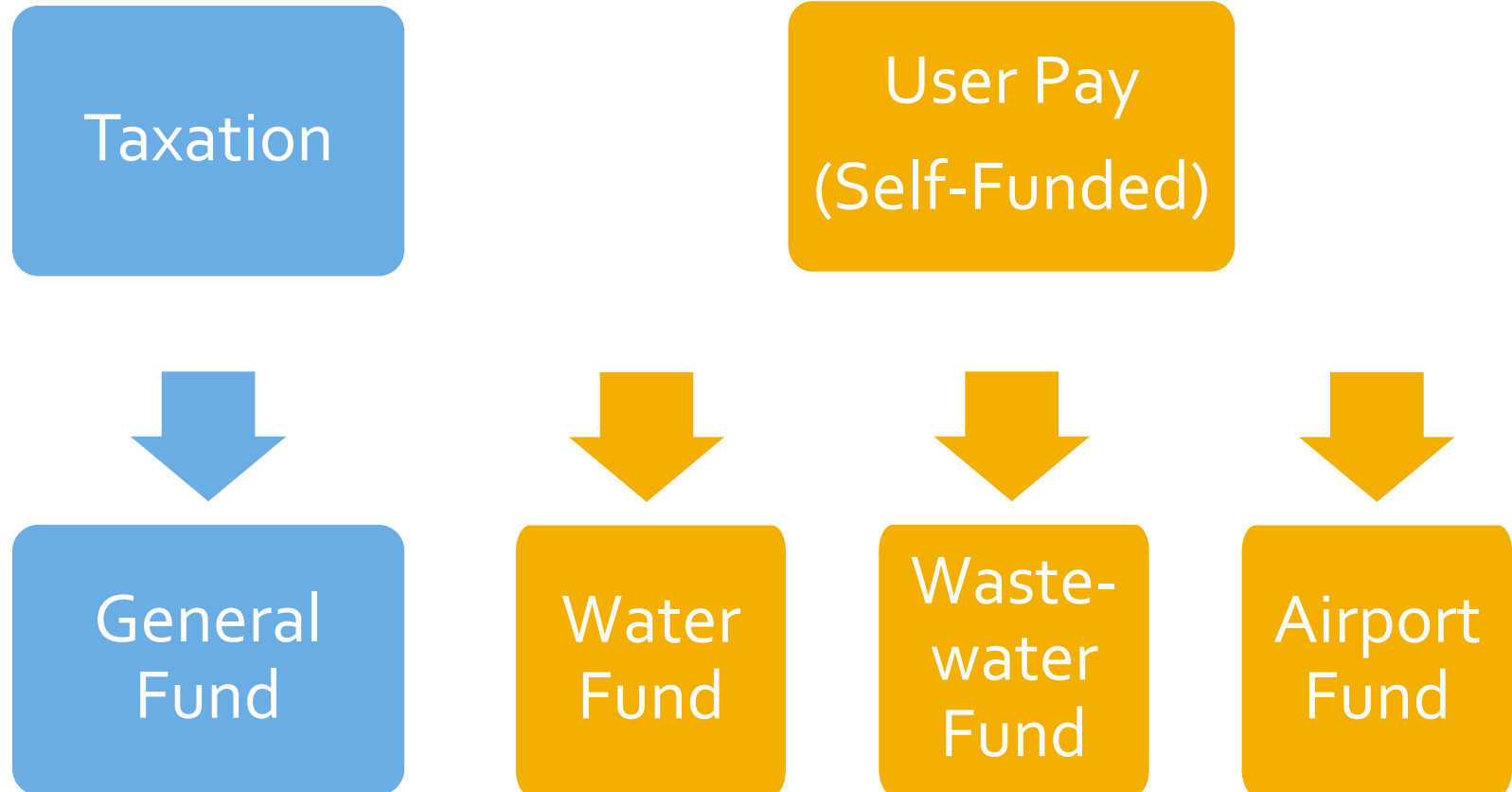
Christopher P. Morrell

Executive Director

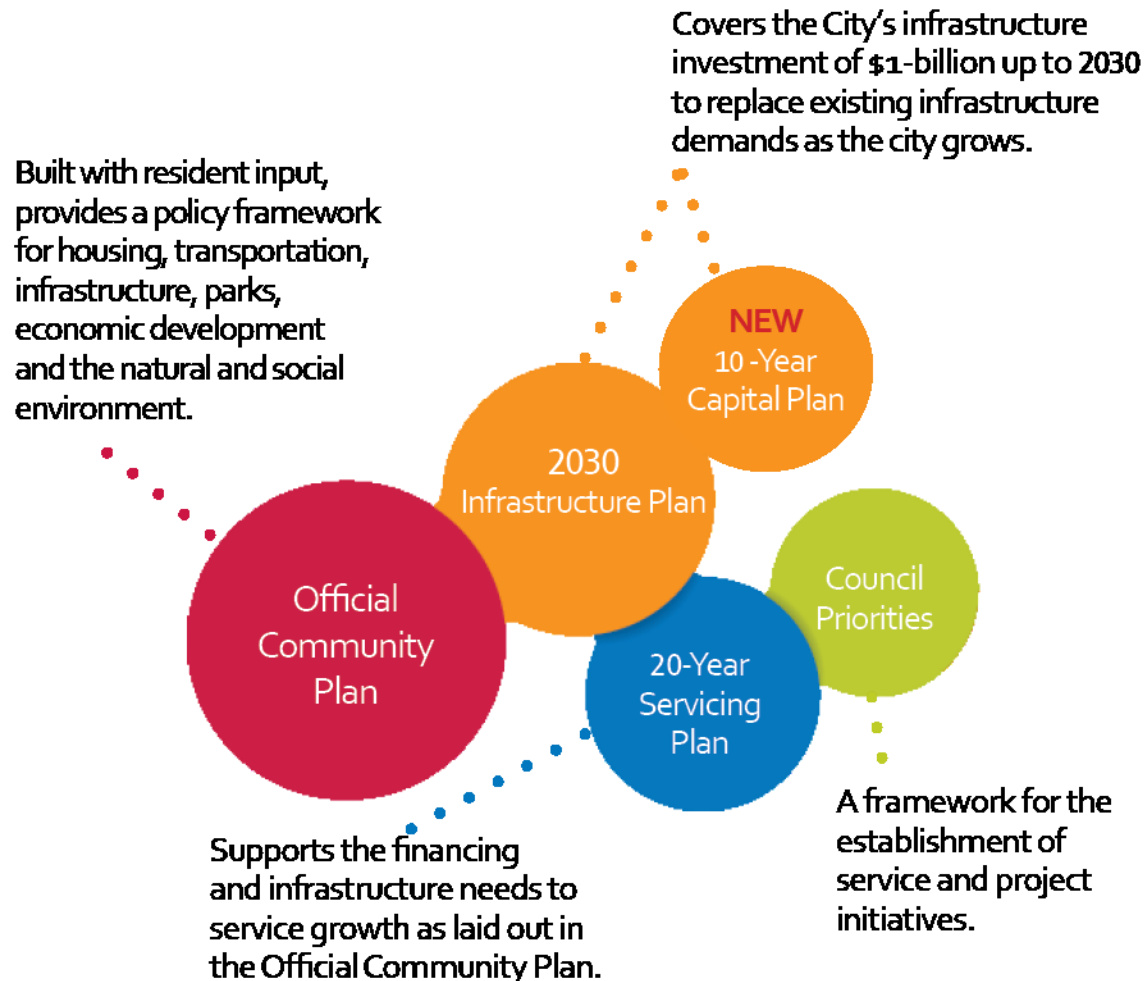
The City & its divisions



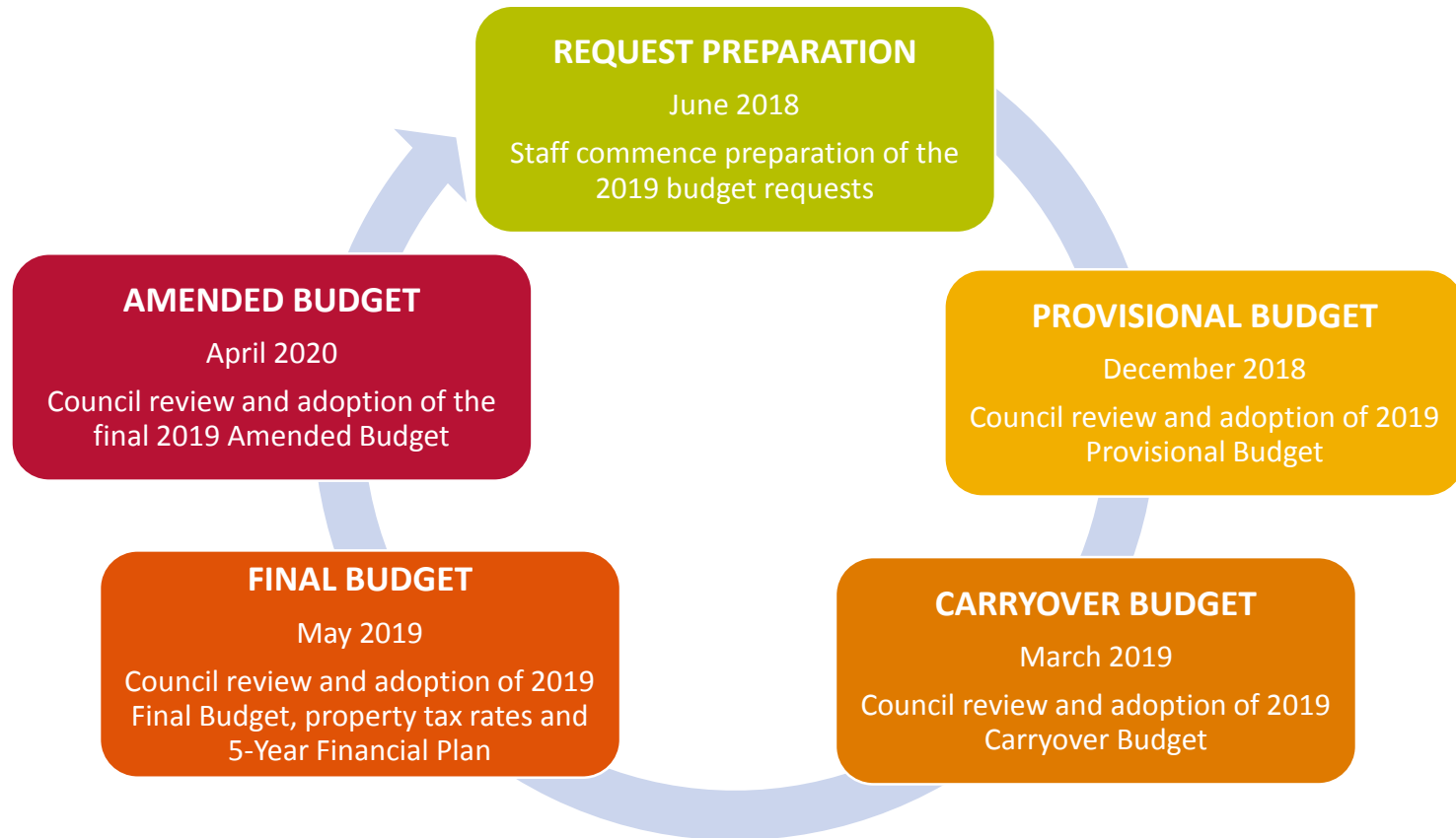
Municipal Funds



Plans that Influence the Budget



Budget Cycle



2018 Financial Plan

Provisional - Volume 1

Kelowna, British Columbia
December 2017



MAINTAIN
RENEW



GROWTH



NEW



kelowna.ca

City Hall | 1435 Water Street | Kelowna BC V1Y 1J4 | 250-469-8542 | financialplanning@kelowna.ca

Tax demand calculation

Prior year
tax
demand

General
revenue

Operating
requests

Capital
program

Current
year
tax
demand

Prior Year Tax Demand

(in millions)

	2017
Gross departmental operating expenditures	213.2
Net departmental revenue	(91.8)
Net general debt	5.7
Net operating expenditure	127.0
Capital expenditures from general taxation	12.2
General revenue	(12.1)
Gross tax demand	127.1

Tax demand calculation

Prior year
tax
demand

General
revenue

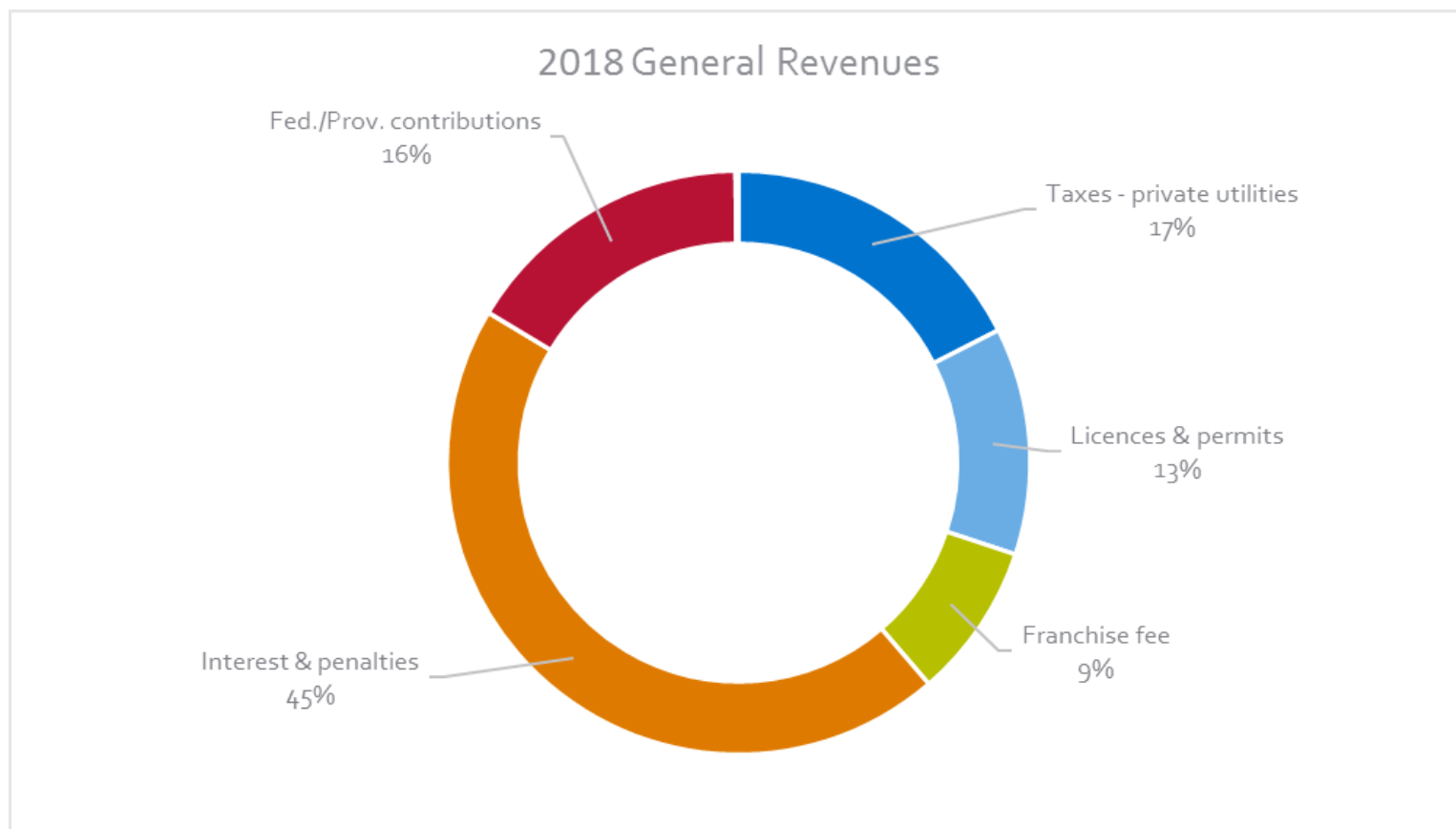
Operating
requests

Capital
program

Current
year
tax
demand

\$127.1M

General Revenues



Total 2018 General Revenues \$11.8M

Tax demand calculation



2018 Net Operating Impacts

(in thousands)

Annualized Costs

2016 on-going operating costs	\$	284
2017 on-going operating costs		577
2017 one-time requests		(670)
Other Adjustments		255
Department Adjustments		38
		<hr/>
		\$ 484

2018 Operating Program Additions

2018 Net Impacts	484k
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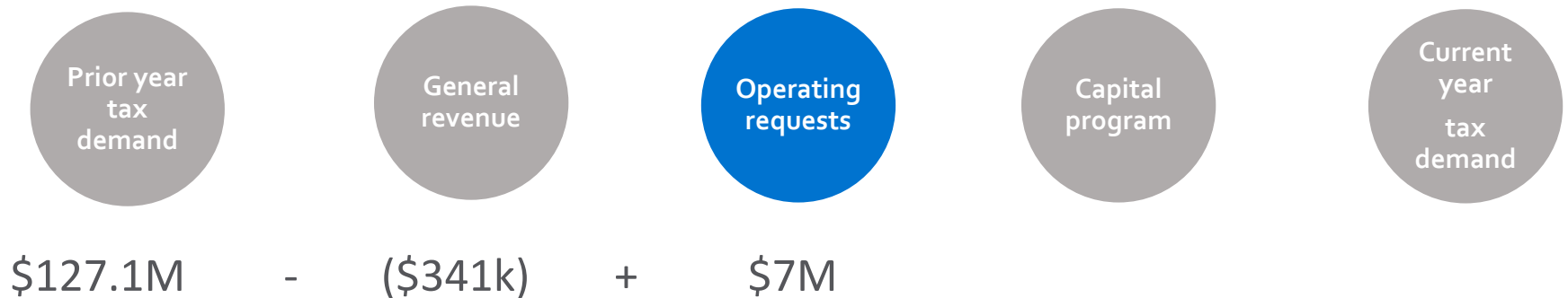
Council-approved requests:

2018 operating requests	6.68M
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2018 reduction requests	(134k)
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	<hr/>	\$7.0M
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Tax demand calculation



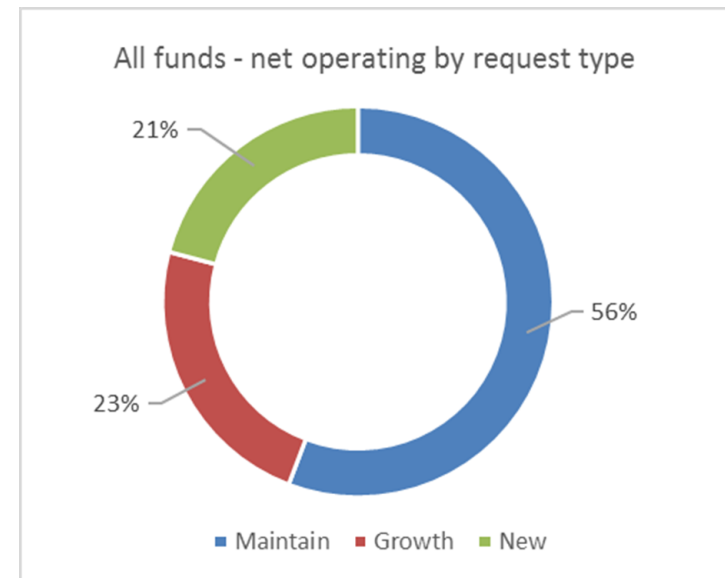
Reading an Operating Request

► Priority

- Priority 1 – included in the budget
- Priority 2 – for Council consideration

► Request Types

- Maintain
- Growth
- New



2018 Operating Request Details

Division:	Community Planning & Strategic Investments	Priority: 1	New
Department:	Enterprise Kelowna		ONE-TIME
Title:	Strategic Land Development Projects		PROVISIONAL

Justification:

The realization of the Official Community Plan and corporate objectives through creative real estate strategies encompass the mandate of this Branch. Several initiatives have been identified that have the potential of returning social, economic, environmental, and cultural benefits to the City. To deliver many of these projects, an investment is needed to cover expenditures on legal advice, property appraisal, urban design, surveying, and other professional services. These costs will often be recovered through redevelopment and disposition.

Key projects undertaken with this funding will include the RCMP site redevelopment, Central Green Leadership in Energy and Environmental Design (LEED) certification, Willits Road redevelopment, McDonalds site redevelopment, and the CN railway surplus dispositions.

Corporate Framework: A well-run City - Pioneering leadership

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2018	134,500	(134,500)	0	0	0	0	0	0

2018 Operating Request Details


Division:	Active Living & Culture	Priority: 1	New
Department:	Active Living & Culture		ON-GOING
Title:	Journey Home Implementation Funding		PROVISIONAL

Justification:

Canadian communities are demonstrating that a multi-sector collaborative approach is required for effective long term strategies to address homelessness. Cities are committing to contribute to multi-sector funding frameworks to support implementation of strategies which has proven effective in leveraging senior government and partner contributions. The Journey Home Strategy is expected to be complete in the Spring of 2018 and will include an implementation plan along with a funding strategy to address the new system coordination elements identified. While the completed strategy will provide direction for the City to consider its future role in the implementation, research demonstrates that Cities have an important role to play. This request is for initial funding for the first three years of implementation, further demonstrating the City's continued commitment, along with other senior government and community partners in the implementation. As the strategy continues to unfold, staff will report back to Council on use of the funds.

Corporate Framework: An active, inclusive city - Considering diverse community needs

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2018	75,000	0	0	0	0	0	0	(75,000)
2019	150,000	0	0	0	0	0	0	(150,000)
2020	150,000	0	0	0	0	0	0	(150,000)



2018 Reduction Request Details

Division:	Civic Operations	Priority: 1	
Department:	Civic Operations		ON-GOING
Title:	Queensway Transit Pavilion		PROVISIONAL

Justification:

The Queensway transit Pavilion was not constructed as planned resulting in an operating budget that is not required.

Corporate Framework: Resilient, well-managed infrastructure - Efficient civic buildings & facilities

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2018	(25,000)	0	0	0	0	0	0	25,000
2019	(25,000)	0	0	0	0	0	0	25,000
2020	(25,000)	0	0	0	0	0	0	25,000

P1 Summary

2018 Operating Requests

Provisional Budget

Summary - General Fund

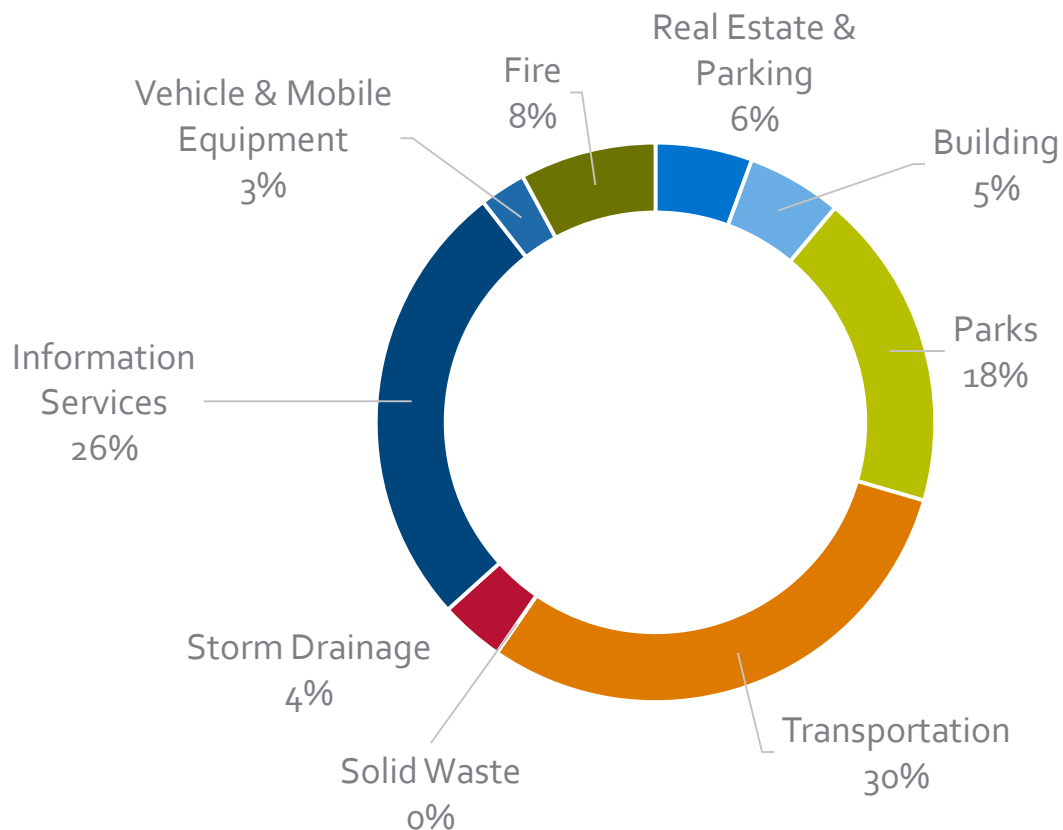
Page	Description	Cost	Reserve	Borrow	Gov/Contr	Revenue	Utility	Taxation	Cat
Civic Operations Division									
Maintain									
198	H2o Flowrider Space Study	50,000	(50,000)	0	0	0	0	0	OT
198	Secondary Odour Mitigation Method	75,000	0	0	0	(25,000)	(50,000)	0	OT
405 CAP	Kerry Park - Phase 1 Construction	8,600	0	0	0	0	0	(8,600)	OG
Total Maintain		133,600	(50,000)	0	0	(25,000)	(50,000)	(8,600)	
Growth									
432 CAP	Rails with Trails DCC (Dilworth - Commerce Ave), ATC	6,000	0	0	0	0	0	(6,000)	OG
433 CAP	Hwy 97 Six Laning - Sidewalk and Fibre Conduit Network	26,000	0	0	0	0	0	(26,000)	OG
437 CAP	# Stewart Road West 3 DCC (Crawford-Swamp), Road	0	0	0	0	0	0	0	OG
Total Growth		32,000	0	0	0	0	0	(32,000)	
New									
432 CAP	Rails with Trails (Commerce Ave to Hwy 97 Overpass), ATC	42,000	0	0	0	0	0	(42,000)	OG
433 CAP	UBCO-University South Pedestrian-Cycling Bridge	7,500	0	0	0	0	0	(7,500)	OG
143	* Avocet Wetland Restoration	150,000	(150,000)	0	0	0	0	0	OT
Total New		199,500	(150,000)	0	0	0	0	(49,500)	
Division Priority 1 Total		365,100	(200,000)	0	0	(25,000)	(50,000)	(90,100)	
Total Priority 1 Operating		365,100	(200,000)	0	0	(25,000)	(50,000)	(90,100)	

CAP – denotes operating request that has been moved to the capital section.

* italics – denotes that this is a shared (part of another department) operating request. In the originating department, the title is denoted by an "x".

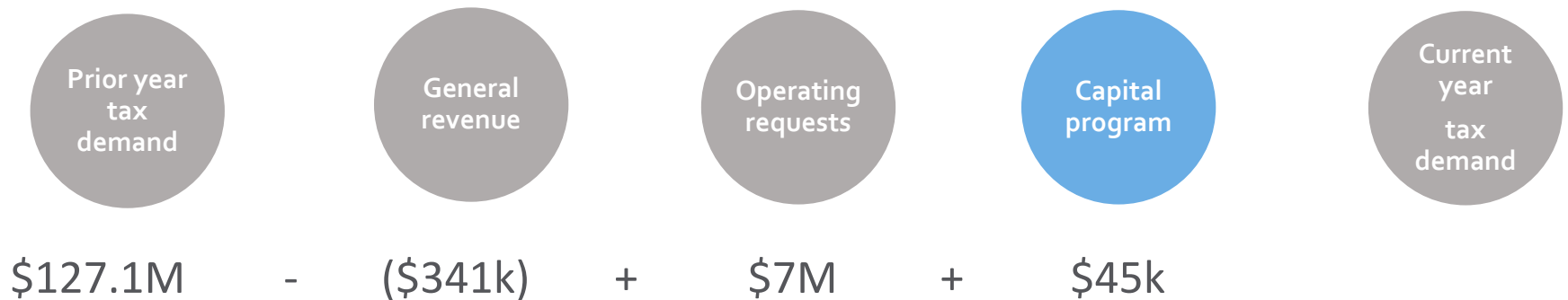
where there are zero amounts in all columns, this denotes there is no change overall in expense or revenue budgets, due to a reallocation of expenses or revenues to support the request for 2018.

2018 Capital Requests



Total Capital Expenditure from Tax Rate \$12.2M

Tax demand calculation



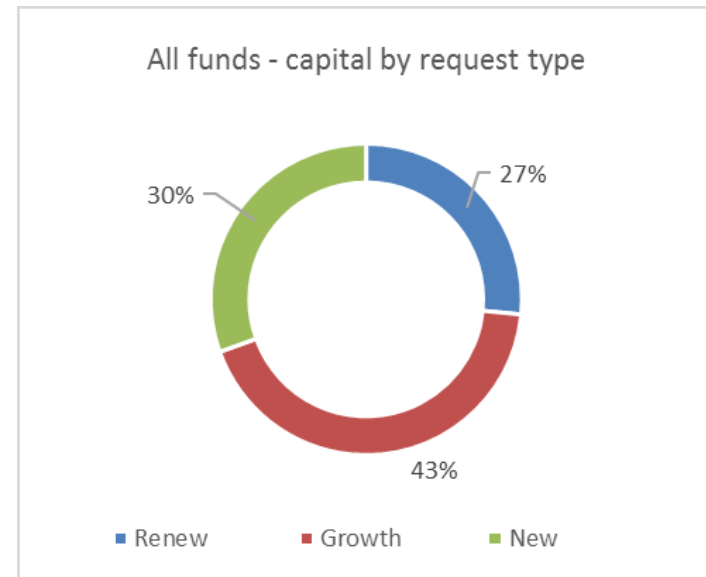
Reading a Capital Request

► Priority

- Priority 1 – included in the budget
- Priority 2 – for Council consideration

► Request Types

- Renew
- Growth
- New



Capital Request

2018 Capital Request Details



NEW

Department:	Capital Projects	Priority: 1	New
Cost Center:	Transportation Capital	10 Yr Cap Plan Ref: 2018 T5 - \$815k	
Title:	Rails with Trails (Commerce Ave to Hwy 97 Overpass), ATC		PROVISIONAL

Justification:

The Okanagan Rail Trail will form an important all ages and abilities walking-cycling connection between downtown, UBCO and points in-between. In 2017, gravel surfacing and roadway crossing improvements took place. Budget is requested to pave the trail and install conduit to allow for future trail lighting.

The ongoing operation and maintenance impacts for this request are included in this capital section as an operating request with the same title.

Project Driver: Maintenance of Council approved levels of service (usually to accommodate growth).

Corporate Framework: Resilient, well-managed infrastructure - Balanced transportation systems

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility	Taxation
815,000	0	0	0	(548,220)	0	(266,780)

Operating Linked to Capital

2018 Operating Request Details

Division:	Civic Operations	Priority: 1	New
Department:	Civic Operations		ON-GOING
Title:	Rails with Trails (Commerce Ave to Hwy 97 Overpass), ATC		PROVISIONAL

Justification:

This is the ongoing operation and maintenance budget impacts associated with the capital request. Programs included in this budget are snow and ice control, street sweeping, roadside weed control, tree pruning and graffiti removal.

Corporate Framework: Resilient, well-managed infrastructure - Balanced transportation systems

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2018	42,000	0	0	0	0	0	0	(42,000)
2019	47,000	0	0	0	0	0	0	(47,000)
2020	47,000	0	0	0	0	0	0	(47,000)

Integrated Capital Project

NEW

Water Capital
Request

Wastewater
Capital Request

Transportation
Capital Request

2018 Capital Request Details

CITY OF KELOWNA

Department:	Capital Projects	Priority: 1	Growth/Renew
Cost Center:	Transportation Capital	10 Yr Cap Plan Refs:	2017 T2 - \$2.1M
			2017 W6 - \$500K
			2018 WW5 - \$40K
Title:	Ethel 4 (Sutherland-Springfield), ATC		PROVISIONAL

Justification:

Ethel Street Active Transportation Corridor (ATC) is a priority all ages and abilities cycling project within the Pedestrian Bicycle Master Plan. Phase 4 of 6 will extend south from Sutherland Avenue to Springfield Road. At the end of 2018, Ethel Street ATC will be complete from Springfield Road to Cawston Avenue. Future phases 5 and 6 will extend south to Rose Avenue and north to Clement Avenue, forming a major north-south cycling corridor. Budget is requested to replace 785m of 250mm cast iron pipe with new 250mm polyvinyl chloride (PVC) watermain and to replace and, where necessary, reconnect sanitary collection services along the 785m of new sewer mainline installed on Ethel Street.

The ongoing operation and maintenance impacts for this request are included in this capital section as an operating request with the same title.

Project Drivers: Level of service enhancements (functional efficiency and levels of service increases).
Asset preservation (renewal and replacement to achieve anticipated service life).

Corporate Framework: Resilient, well-managed infrastructure: Balanced transportation systems
Well-maintained utilities

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility	Taxation
2,650,000	(1,476,070)	-	-	-	-	(1,173,930)

P1 Summary

2018 FINANCIAL PLAN

CITY OF KELOWNA

2018 Capital Requests

Provisional Budget

Parks Capital Summary - General Fund

Page	Project	Description	Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility	Taxation
Parks Capital Priority 1									
Renew									
401	3134	Irrigation Infrastructure Renewal	28,000	0	0	0	0	0	(28,000)
401	2XXX	High Noon Park Improvements	75,000	0	0	0	0	0	(75,000)
Total Renew			103,000	0	0	0	0	0	(103,000)
Growth									
402	3208	Rowcliffe Park - Phase 2 Construction	1,350,000	(728,540)	0	0	0	0	(621,460)
402	2030	DCC Parkland Acquisition	4,548,170	(4,029,680)	0	0	0	0	(518,490)
Total Growth			5,898,170	(4,758,220)	0	0	0	0	(1,139,950)
New									
OP 403	XXXX	Kerry Park - Phase 1 Construction	450,000	0	0	0	0	0	(450,000)
403	XXXX	Bellevue Creek Linear Park - Phase 1 Construction	440,000	0	0	0	0	0	(440,000)
OP 404	XXXX	Interim Park Access	115,000	0	0	0	0	0	(115,000)
Total New			1,005,000	0	0	0	0	0	(1,005,000)
Cost Center Totals			7,006,170	(4,758,220)	0	0	0	0	(2,247,950)
Grand Total			7,006,170	(4,758,220)	0	0	0	0	(2,247,950)

OP – See related operating request with a similar title at the end of this section.

RED – See related reduction request with a similar title at the end of this section.

P2 Summary

2018 FINANCIAL PLAN
2018 Capital Requests
Provisional Budget
Parks Capital Summary - General Fund

CITY OF KELOWNA

Page	Project	Description	Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility	Taxation
Parks Capital - Priority 2									
Renew									
406	XXXX	City Park Promenade Renewal - Phase 2	1,300,000	0	0	0	0	0	(1,300,000)
406	XXXX	Knox Mountain Park Paul's Tomb Trail Restoration	250,000	0	0	0	0	0	(250,000)
407	XXXX	Mission Recreation Park - Artificial Turf Replacement	600,000	(180,000)	0	0	0	0	(420,000)
Total Renew			2,150,000	(180,000)	0	0	0	0	(1,970,000)
Growth									
407	2917	Glenmore Recreation Park - Phase 2 Construction	3,273,860	(1,380,000)	0	0	0	0	(1,893,860)
408	XXXX	Ponds Community Park - Sports Field Construction	600,000	0	0	0	0	0	(600,000)
408	XXXX	Barlee Park Development	300,000	0	0	0	0	0	(300,000)
Total Growth			4,173,860	(1,380,000)	0	0	0	0	(2,793,860)
New									
409	2031	Natural/Linear Park Acquisition	450,000	0	0	0	0	0	(450,000)
409	XXXX	Protective Netting at MRP Softball Quad	100,000	0	0	0	0	0	(100,000)
Total New			550,000	0	0	0	0	0	(550,000)
Cost Center Totals			6,873,860	(1,560,000)	0	0	0	0	(5,313,860)
Grand Total			6,873,860	(1,560,000)	0	0	0	0	(5,313,860)

OP – See related operating request with a similar title at the end of this section.

RED – See related reduction request with a similar title at the end of this section.

Tax demand calculation



New construction revenue “non-market change”

- ▶ Changes in property value as a result of:
 - ▶ new construction – permitted improvements
 - ▶ new construction - no local building permit authority
 - ▶ property class changes
 - ▶ exemption changes
 - ▶ new development or "size" changes to land
 - ▶ zoning changes

Total 2018 New Construction Revenue \$2.85M

Projected property tax rate: 2018

	Dollars	Percent (%)
2018 Projected tax demand	\$ 134.5	
2017 Actual tax demand	<u>127.1</u>	
Tax dollar increase	7.4	5.80
Less: estimated N.C.R.	<u>(2.85)</u>	<u>(2.20)</u>
2019 Projected tax rate	\$ 4.55 M	3.60%

Infrastructure Levy

- ▶ Based on the 10-year Capital Plan
 - ▶ Requires \$1.123 billion in infrastructure investment
 - ▶ Forecasted funding \$660 million
 - ▶ \$463 million infrastructure deficit

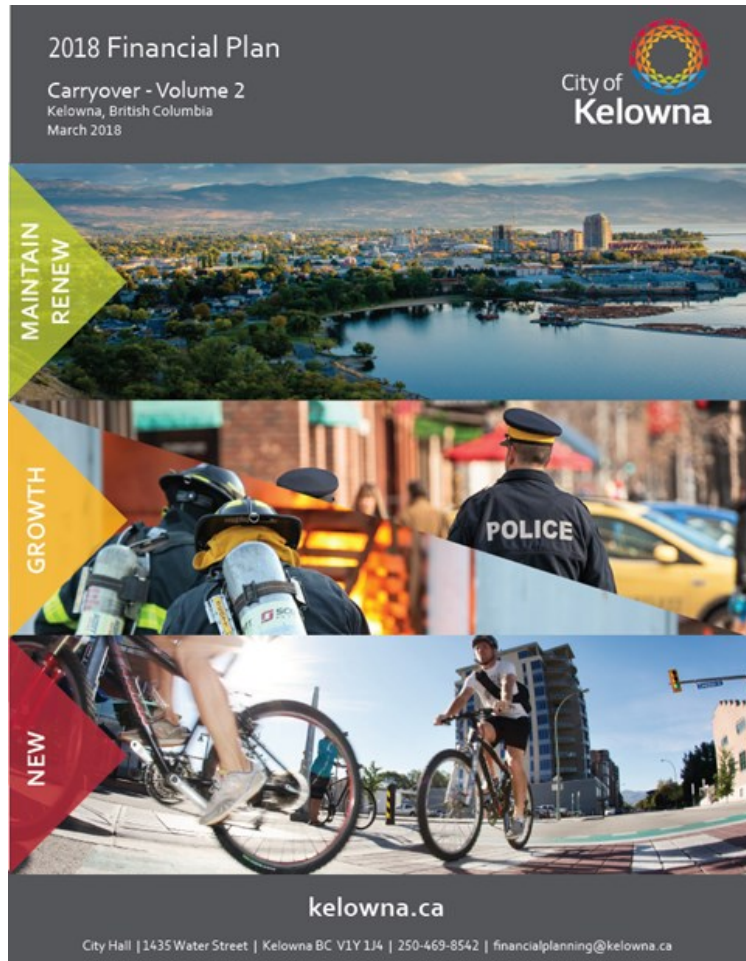
Infrastructure Levy at 1.95% Each Year (Cumulative)

	2019	2020	2021	2022	2019-2027
Levy revenue (in millions)	\$2.6M	5.4	8.3	11.4	\$137.5M

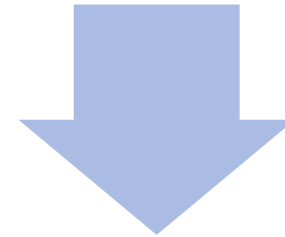
Infrastructure Levy at \$2.6M (1.95%) in 2019 increases to \$5.2M in 2020

	2019	2020	2021	2022	2019-2027
Levy revenue (in millions)	\$2.6M	5.2	5.2	5.2	\$5.2M

Carryover Budget




2017 Unfinished
Project Budgets




2018 Budget

Final Budget


2018 Financial Plan
Final Budget - Volume 3
Kelowna, British Columbia
April 2018




MAINTAIN
RENEW



GROWTH



NEW



kelowna.ca
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2018 Tax Demand

(in millions)

	2018
Gross departmental operating expenditures	230.6
Net departmental revenue	(101.9)
Net general debt	4.5
Net operating expenditure	133.2
Capital expenditures from general taxation	12.7
General revenue	(12.4)
Gross tax demand	133.5
Less new construction value	(2.6)
Net taxation demand	130.9
Net property owner impact	2.99%