

Report to Council



Date: April 30, 2018
Rim No. 0220-20
To: Mayor and Councillors
From: Joe Creron, Acting City Manager
Subject: 2018 Financial Plan – Final Budget
Report Prepared by: Financial Planning Manager

Recommendation:

THAT COUNCIL adopts the 2018-2022 Financial Plan;

AND THAT Council approves the formulation of 2018 Property Tax Rates that will raise the required funds in 2018, from General Taxation, in the amount of \$133,481,167, resulting in an average net property owner impact of 2.99 per cent;

AND THAT Bylaw No. 11583 being the 2018-2022 Five Year Financial Plan, 2018 be advanced for reading consideration;

AND THAT Bylaw No. 11584 being the Tax Structure Bylaw, 2018 be advanced for reading consideration;

AND THAT Bylaw No. 11585 being the Annual Tax Rates Bylaw, 2018 be advanced for reading consideration;

AND THAT Bylaw No. 11586 being the DCC Reserve Fund Expenditure Bylaw, 2018 be advanced for reading consideration;

AND FUTHER THAT Bylaw No. 11587 being the Sale of City Owned Land Reserve Fund Expenditure Bylaw, 2018 be advanced for reading consideration.

Purpose:

To present the 2018 Final Budget submissions, the 2018-2022 Financial Plan and related bylaws to Council for their consideration and approval.

Background:

Council approved the Provisional 2018 Financial Plan on December 14, 2017 and it was amended on March 19, 2018 to include the 2017 carry-over projects. The Final Budget document includes emergent or Council initiated projects that are consolidated with the first two volumes into the 2018-2022 Financial Plan. Depending on the

nature of the item being considered, these project adjustments can cause the final budget to go either up or down.

The 2018 final adjustments result in a tax decrease of 0.61 per cent from the Provisional Budget tax requirement of 3.60 per cent to the Final Budget as presented, that reflects a net municipal property tax increase of approximately 2.99 per cent, the lowest rate since 2014.

This reduction is predominantly due to debt changes from Municipal Finance Authority (MFA) interest rate resets and increased revenue from both the FortisBC Gas Franchise Fee and City investments. This reduction has been partially offset by phase 3 of Rutland Centennial Park, the introduction of the Community Response Team designed to address increased enforcement demands, the addition of Financial Analyst positions in response to the 2018 Corporate Financial Governance Review and finally the addition of a Planner Specialist position to improve service delivery in meeting the growing volume of development applications.

The timing of the Financial Plan preparation is to coincide with preparation of the Tax Rates bylaw in accordance with the Community Charter.

Financial Services Division has projected the 2018 municipal taxation requirements for the City of Kelowna as a result of receiving the following information:

- Revised roll totals, which represent final assessment information from BC Assessment, subsequent to the Court of Revision and incorporating final new construction information.
- Council approval of the 2018 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2017 operating results and additional projects identified since Provisional Budget.

Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$2.6 million, a decrease of \$250,000 from the value estimated at Provisional Budget. This estimate was based on BC Assessment preliminary roll information, however, the final new construction level decreased from the earlier estimate once final roll information was prepared by BC Assessment. The total assessed value of new construction for 2018 is \$722.0 million, a 17.2 per cent increase compared to 2017 new construction assessments.

General Revenues

There is a net general revenue increase of \$627,000 which is a result of an increase of expected revenue from the Fortis BC Gas Franchise Fee and investment interest revenue.

Operating Program

To address increasing demands on the existing Downtown Enforcement Unit, a new Community Response Unit consisting of four bylaw officers is requested.

To improve the City's control framework, reduce risk, provide professional oversight and scrutiny of spending decisions, and financial stewardship, two professional accountants serving two of the City's large business units, Active Living and Culture and Civic Operations, are requested in response to the 2018 Corporate Financial Governance Review.

In order to aid planning staff in processing the high volume of applications and improve the quality of planning analysis on major urban development applications, a Planner Specialist position is requested.

Adjustments to reflect Municipal Finance Authority interest rate resets and associated recovery payments related to borrowing for Chapman Parkade, Okanagan Gymnastics Centre, H2O Adventure + Fitness Centre and the Police Services Facility is requested.

Additional ongoing operation and maintenance budget for the Rutland Centennial Park is requested in association with the Rutland Centennial Park Phase 3 capital request.

The Final Budget general fund operating requirements are summarized on the summary sheet titled "2018 Operating Requests" found on page 635 of the Final Budget document and result in a decrease of general purpose net operating expenditures totaling \$828,370, excluding the general revenue increase.

Capital Program

There are two capital requests presented for final budget consideration shown on page 644 of the Final Budget document.

As part of the development of Rutland Centennial Park, Phase 3, \$425,000 of funding is requested to expand the playground, infrastructure and irrigation for the park.

An evaluation was completed for the Chapman Parkade and it was determined that several preventative maintenance measures be completed in 2018 to ensure the facility's maximum life expectancy is achieved. Reserve funding of \$147,900 is requested to complete the necessary maintenance.

Utility Funds

There are two utility operating requests presented for Final Budget consideration shown on page 642 of the final budget document.

To improve the City's control framework, reduce risk, provide professional oversight and scrutiny of spending decisions, and financial stewardship a professional accountant serving one of the City's large business units, Airport, is requested in response to the 2018 Corporate Financial Governance Review.

The second request is to increase the Water Parcel Tax budget for growth and Water sales revenue to reflect the February, 2017 Council approved 2 per cent utility user rate increase and continued growth.

Net Property Owner Impact

2018 assessments came in at an increase of 15.38 per cent over 2017 assessments considering both market and new construction value changes. There was a 14.71 per cent increase in overall market values and a 2.37 per cent increase in new construction assessments.

A tax rate of 2.99 per cent means the owner of a single-family home with an average assessed value of \$641,760 will pay \$1,990, which is an increase of \$57.78, for the municipal portion of their property taxes.

A City property tax bill will also include other user fees such as curbside collection and levies for other taxing authorities (e.g. School District, Regional District of Central Okanagan, Library, Hospital and B.C. Assessment Authority).

The maximum that can be claimed for the Provincial Home Owner Grant remains the same as 2017, \$770 for homeowners under 65 years of age and \$1,045 for those 65 and over. The threshold before the grant begins to reduce has increased from \$1,600,000 in 2017 to \$1,650,000 in 2018. After \$1,650,000 the grant is reduced by

\$5.00 for every \$1,000 of residential assessed value. Homeowners 65 and over, who do not qualify for the additional home owner grant amount due to the high assessment of their home, may apply to Home Owner Grant Administration for a low income grant supplement. These can be low-income seniors, certain veterans and certain persons with disabilities.

The Property Tax Deferment program and the Family with Children Deferment program continues to be available. These low-interest loan programs assist qualifying homeowners in British Columbia in paying the annual property taxes on their homes.

No changes were announced to the 60 per cent school tax credit for major industry properties or the 50 per cent school tax credit for land classified as "farm".

Conclusion

The recommendation is for a net municipal property tax increase averaging 2.99 per cent.

The 2018 Financial Plan continues to provide for the services, infrastructure and amenities expected by the citizens of Kelowna in a cost effective manner.

Legal/Statutory Authority:

Financial Plan under Section 165 of the Community Charter requires adoption of a 5 Year Financial Plan bylaw prior to the annual property tax bylaw. Annual property tax bylaw under Section 197 of the Community Charter, Council must establish tax rates by bylaw after adoption of the financial plan but before May 15th.

Internal Circulation:

- G. Davidson, Divisional Director, Financial Services
- G. King, Financial Planning Manager
- M. Antunes, Budget Supervisor
- A. Bazett, Communications Consultant

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:



Joe Creron
Acting City Manager