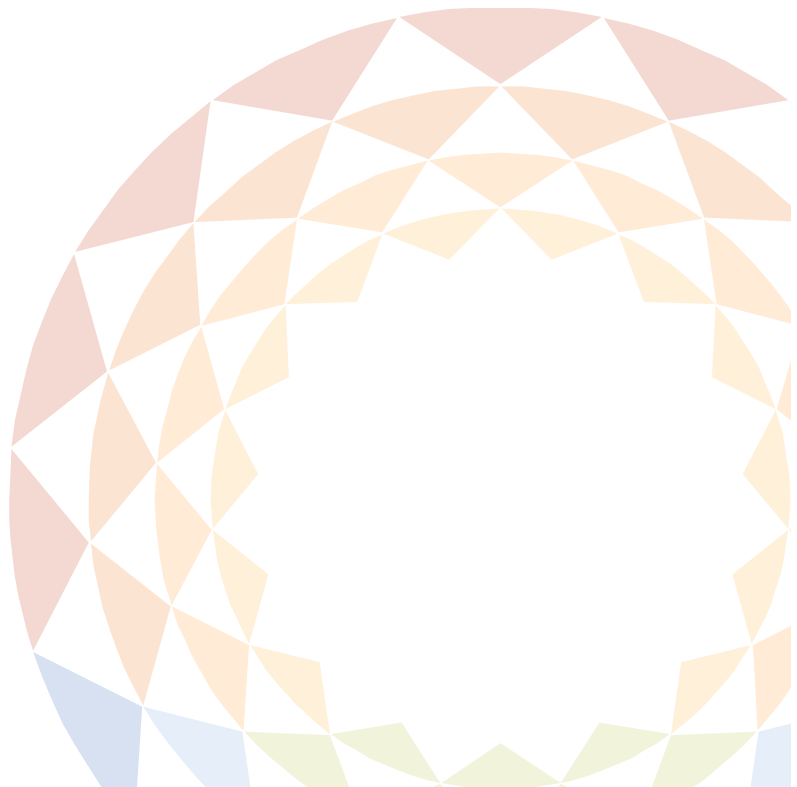


Financial Summaries

The following page replaces page 79 and 80 in the 2018
Financial Plan - Provisional Volume 1.



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Revenue sources & trends summary

Taxation

Taxation is a major revenue source in the General Fund and accounts for 26% of the 2018 total revenue estimate of \$518.6M. Over the five-year period of the Financial Plan, the taxation requirement is estimated to increase annually by growth (1.58% in 2019-2020; 1.38% 2021-2022) and British Columbia Provincial average inflation (2.0%). The projected impact on the existing taxpayer will be the inflation component, a portion of the cost of this service level increase and debt repayment impacts for future borrowing.

General Revenues

Many general revenue categories are anticipated to increase by growth and/or inflation in the coming years. Revenues from general interest and tax penalties are expected to increase by growth and Federal and Provincial contributions are expected to increase by inflation only. General revenues are anticipated to increase by approximately 2.3% in 2019, 2.3% in 2020, 2.2% in 2021, and 2.2% in 2022.

Fees & Charges (Utility Revenues)

The City of Kelowna operates Water, Wastewater and Natural Gas Utilities. The Water and Wastewater Utilities will have a rate increase of 2.0% for 2018 and a review will be completed in 2018 to set rates for 2019 and 2020. The Water Utility will also have a 2.0% increase to the Water Quality Enhancement Reserve Fund in 2018. The Natural Gas Utility will continue to contribute \$20,000 to the general operating fund on an annual basis as a return on investment to the taxpayers.

While the City Water Utility is currently limited in growth in that service area boundaries are not citywide, the proposed amalgamation of South East Kelowna Irrigation District (SEKID) will see the boundary extend slightly over the next years. Future revenue estimates are factored for both growth and inflation.

The City Wastewater Utility operates citywide. Future growth potential is limited by infrastructure cost and the availability of Provincial capital support funding. Future local service areas have been identified and the number of sewer customers and amount of revenue generated is scheduled to increase slightly over the next five years. Future revenue estimates are factored for both growth and inflation.

The Airport anticipates a 1.8% increase in passenger activity for 2018 with continued growth beyond 2018. The Drive to 1.6 Million Passengers and the Beyond 2020 capital programs have been developed with phased construction based on passenger demand. Revenues continue to be derived from the Airport Improvement Fee and are used to fund the Airport's capital program.

Fees & Charges (General Fund Department Revenues)

Fees and charges are the second largest source of revenue at 23% and can be attributed to a number of Divisions including Civic Operations, Active Living & Culture, Community Planning & Real Estate and Infrastructure.

The Civic Operations Division, which includes Fleet Services, Parks, Public Works and Utility Services, generates the largest proportion of revenue from fees & charges in the areas of internal equipment charges, cemetery operations, landfill tipping fees and waste collection. The Fleet Services branch recovers operating costs, overhead and replacement cost on all equipment owned by the City by charging user departments internal equipment charges. Internal equipment revenue has been estimated to be at a relatively stable level and future revenue has been adjusted for inflation.

Revenue in the Active Living & Culture Division is generated from a wide variety of services including facility rentals and sales revenues along with program revenue and recreation facility use revenues. Estimates of future revenue generation have been factored for growth and inflation.

The City's Community Planning & Real Estate Division generates revenue in the form of permit and inspection fees along with subdivision fees and other service revenues. Real Estate generates revenues in the area of rentals from properties owned by the City and from parking throughout the City. Future revenues have been factored by inflation as there is little anticipated growth in the inventory of these real estate assets.

The Infrastructure Division includes transit revenues in the Regional Services branch. The transit revenues have been factored for growth as ridership increases with anticipated expanded service.

Borrowing

There are no new borrowing requirements for the years 2018 to 2020 of the five-year financial plan, but borrowing is expected in 2021 and 2022 for the Parkinson Recreation Centre and an expansion to the Capital News Centre.

Government Grants

For operating grants, the focus has been on community & neighbourhood programs for healthy living, urban forestry for wildfire mitigation and the grant back of carbon tax paid by the City to allow investment in greenhouse gas reduction programs. The most significant grant area is for the transit partnership. The Province provides 47% funding for conventional transit costs and 67% funding for custom transit costs. This amounts to approximately \$9.6 million per year.

Grants in lieu of taxes from provincial and federal governments have remained fairly steady for the last few years. Grants from the Okanagan Basin Water Board for wastewater collection costs and water quality improvements initiatives are averaging \$290,000 per year.

The budget for gaming revenues has increased by 2.9%. These funds are included in the RCMP budget as they are applied against police costs.

Reserves and Surplus

This revenue source is mainly used in the capital programs for major works. A balance must be maintained between expenditure levels and reserve replenishment to ensure this funding source can continue. The 2030 Infrastructure Plan relies on surplus funds being contributed to reserve on an annual basis. Reserve funding requirements vary significantly depending on the annual capital programs. It is the second largest source of revenue in 2018 (25%). Surplus amounts within the Utility programs will vary on an annual basis mainly dependent on the extent of the capital program for that year. On the chart below, reserve funding totals are higher in 2018 due to carry-over projects.

Summary of revenue sources 2018-2022 (in thousands)

The following graph summarizes the City's revenue sources.

