

# CITY OF KELOWNA

## BYLAW NO. 11583

### Five Year Financial Plan 2018-2022

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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, 2018 to and including December 31, 2022.
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, 2018-2022, No. 11583".

Read a first, second and third time by the Municipal Council this 30<sup>th</sup> day of April, 2018.

Adopted by the Municipal Council of the City of Kelowna this

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Mayor

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City Clerk

**Schedule A**  
**Financial Plan 2018-2022**

	2018	2019	2020	2021	2022	2023-2030
<b>Revenue</b>						
Property Value Tax	133,481,167	139,430,437	145,122,266	150,408,366	157,382,755	1,461,906,406
Library Requisition	6,208,386	6,332,554	6,459,205	6,588,389	6,720,157	58,832,475
Parcel Taxes	3,182,576	3,240,499	3,264,934	3,267,975	3,289,512	27,087,039
Fees and Charges	120,340,045	121,423,849	124,052,661	126,394,056	128,980,515	1,133,108,927
Borrowing Proceeds	4,949,710	-	-	4,000,000	38,000,000	47,000,000
Other Sources	120,141,281	53,638,039	51,174,731	50,325,889	49,664,592	473,329,592
	388,303,165	324,065,378	330,073,797	340,984,675	384,037,531	3,201,264,439
<b>Transfer between Funds</b>						
Reserve Funds	1,636,769	1,187,642	1,187,644	1,187,644	1,187,644	7,783,328
DCC Funds	21,026,529	21,156,387	35,099,364	28,359,611	10,007,504	134,230,749
Surplus/Reserve Accounts	107,612,509	60,585,009	64,873,876	59,207,023	81,179,101	364,048,101
	130,275,807	82,929,038	101,160,884	88,754,278	92,374,249	506,062,178
<b>Total Revenues</b>	<b>518,578,972</b>	<b>406,994,416</b>	<b>431,234,681</b>	<b>429,738,953</b>	<b>476,411,780</b>	<b>3,707,326,617</b>
<b>Expenditures</b>						
Municipal Debt						
Debt Interest	9,751,943	5,967,121	4,775,593	4,518,089	5,593,509	45,124,844
Debt Principal	15,701,603	11,854,479	8,752,346	6,995,881	8,324,481	57,547,333
Capital Expenditures	199,532,820	91,168,105	110,037,653	100,637,265	140,242,793	718,303,710
Other Municipal Purposes						
General Government	32,234,881	32,742,458	33,666,861	34,477,239	35,336,979	316,874,041
Planning, Development & Building Services	30,055,912	22,228,128	21,572,763	22,177,065	22,841,006	206,781,561
Community Services	85,529,601	87,394,503	91,120,838	93,916,881	96,761,805	887,920,257
Protective Services	57,220,810	60,132,712	62,932,499	65,027,364	67,192,476	622,851,700
Utilities	21,075,639	20,769,420	21,136,728	21,615,414	22,109,942	196,351,254
Airport	14,960,261	15,426,153	15,907,225	16,385,650	16,880,195	154,533,470
	466,063,470	347,683,079	369,902,506	365,750,848	415,283,186	3,206,288,170
<b>Transfers between Funds</b>						
Reserve Funds	19,482,943	19,812,358	19,845,931	19,869,137	19,380,963	155,107,575
DCC Funds	-	-	-	-	-	-
Surplus/Reserve Accounts	33,032,559	39,498,979	41,486,244	44,118,968	41,747,631	345,930,872
	52,515,502	59,311,337	61,332,175	63,988,105	61,128,594	501,038,447
<b>Total Expenditures</b>	<b>518,578,972</b>	<b>406,994,416</b>	<b>431,234,681</b>	<b>429,738,953</b>	<b>476,411,780</b>	<b>3,707,326,617</b>

**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; and
- (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 2018. 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.
  - Recreation & Cultural Services – 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	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%
<b>Total</b>	<b>518,579</b>	<b>100%</b>

### Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2017 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	2018 Tax Class Ratios	Tax Revenue (000's)	2017 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	93,167	1.0000:1
02	Utilities	5.5475:1	658	5.3182:1
04	Major Industrial	6.6176:1	441	5.8019:1
05/06	Light Ind/Bus/Other	2.3777:1	38,668	2.2967:1
09	Farm Land	0.1524:1	10	0.1357:1
91	Farm Improvements	0.4987:1	537	0.4810:1
	<b>Total Revenues</b>		<b>133,481</b>	

## 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 2018 (based on 2017 assessment totals and tax rates) is \$2,463,969. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 287,834

Private schools - \$ 181,969

Hospitals - \$ 17,151

Special Needs Housing - \$ 61,925

Social Services - \$251,379

Public Park, Athletic or Recreational - \$ 442,931

Cultural - \$ 364,954

Partnering, Heritage or Other Special Exemptions Authority - \$ 350,770

Revitalization - \$ 505,056

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.