



# 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 2<sup>nd</sup> week of December
- ▶ Final Audit 2 weeks in March
- ▶ Council Audit Committee meeting end of April
- ▶ Financial Statements to Council 1<sup>st</sup> 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%
<b>Total</b>	<b>518,579</b>	<b>100%</b>

# 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**

<b>Municipality</b>	<b>Business</b>
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

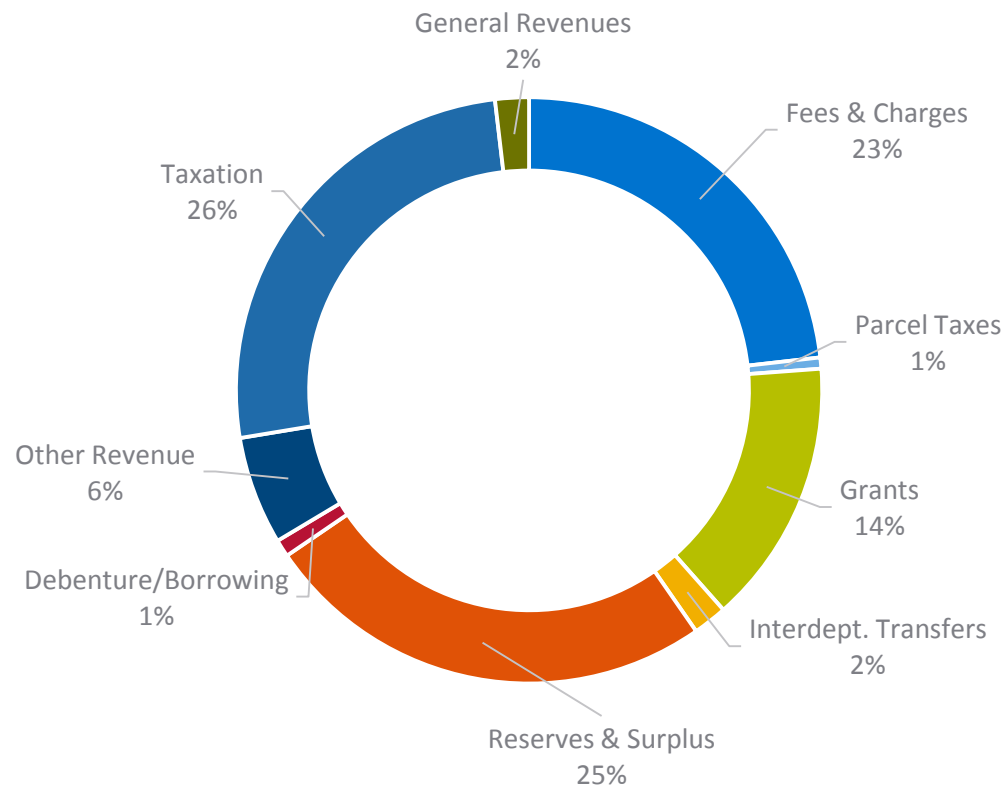
Heritage Exemptions

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 &amp; 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**

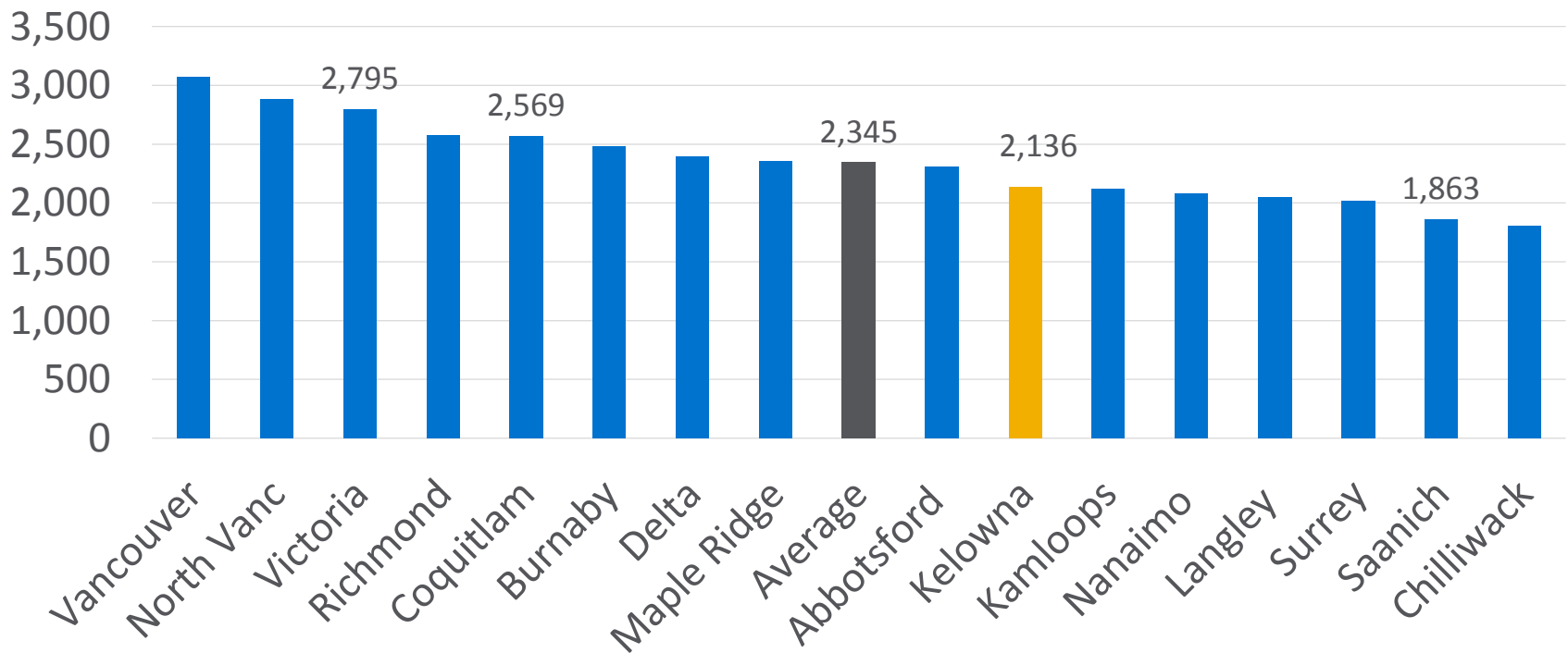
<b>City of Kelowna</b>	56.93%	133,481,167
<b>RDCO</b>	5.10%	11,962,242
<b>Hospital</b>	4.99%	11,705,214
<b>School</b>	29.48%	69,120,918
<b>Library</b>	2.65%	6,208,386
<b>B.C. Assessment</b>	0.84%	1,980,696
<b>Municipal Finance Authority</b>	-	8,922
	1.000	234,467,545

# TAX CHANGES & CPI

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

# 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

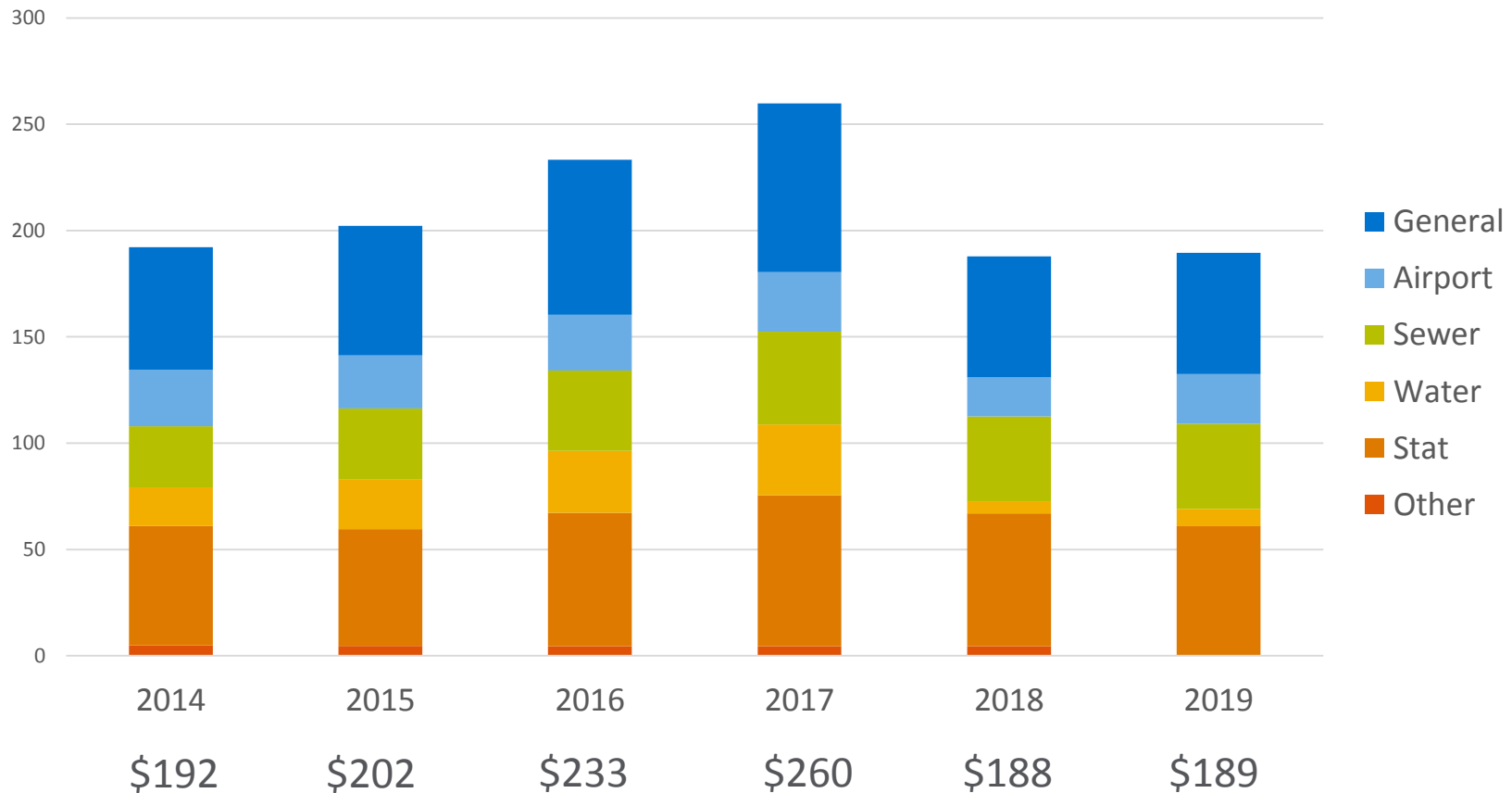
# RESERVES AND SURPLUS

- ▶ 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%	
<b>Kelowna</b>	<b>127,330</b>	<b>137,433,022</b>	<b>1,079</b>	<b>24,329,235</b>	<b>191</b>	<b>60.4%</b>	
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

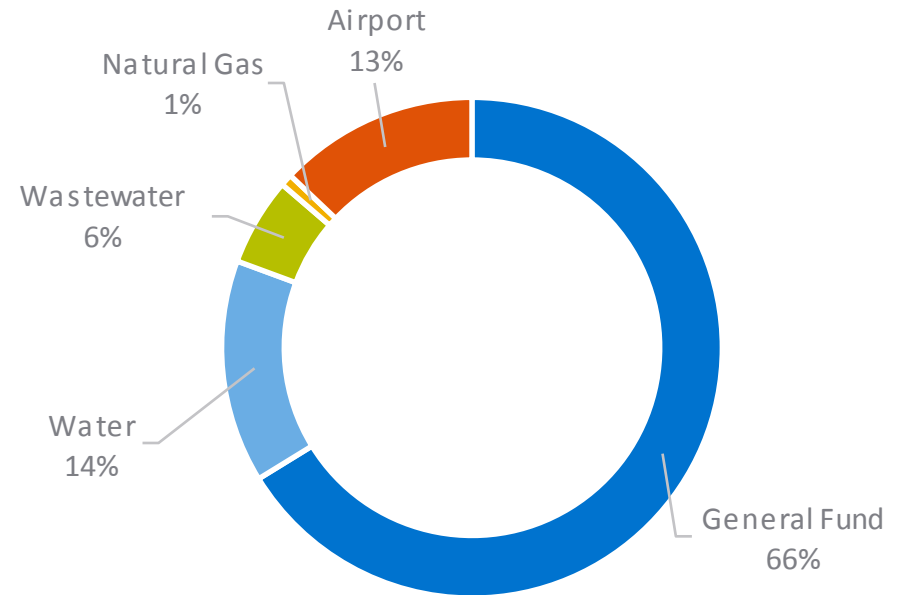
# EXPENDITURES

- ▶ 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

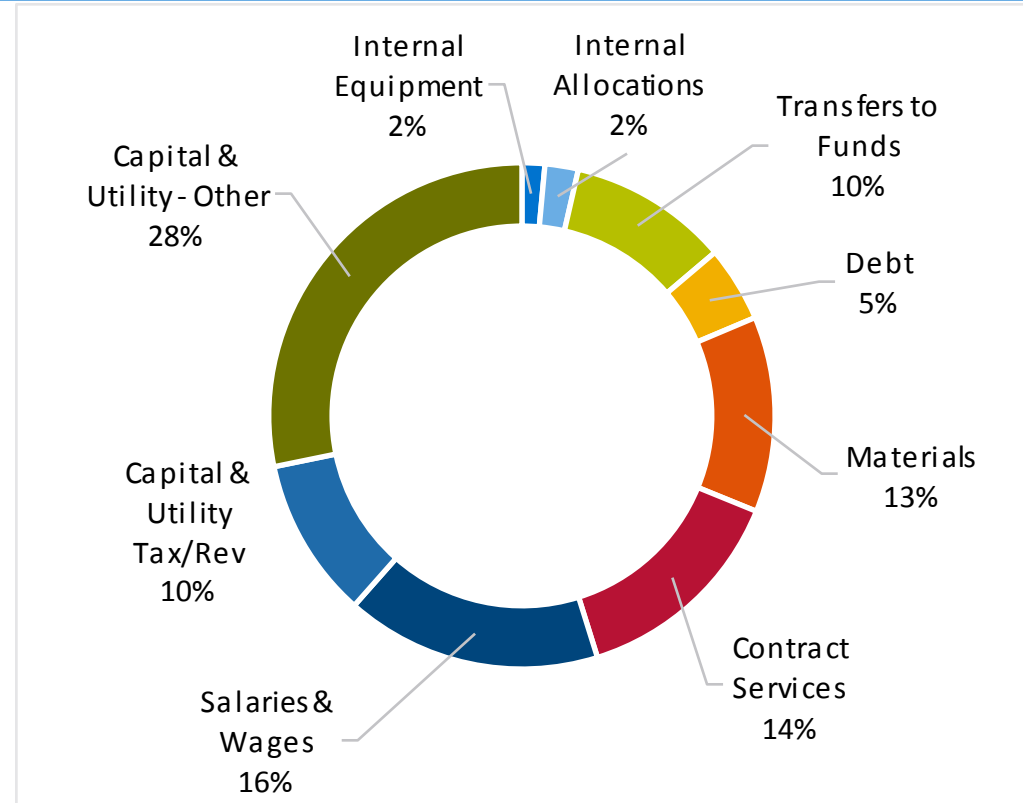


<b>Total</b>	<b>518.6</b>	<b>518.6 Million</b>
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# 2018 EXPENDITURES

## Expenditures by Type (in millions)

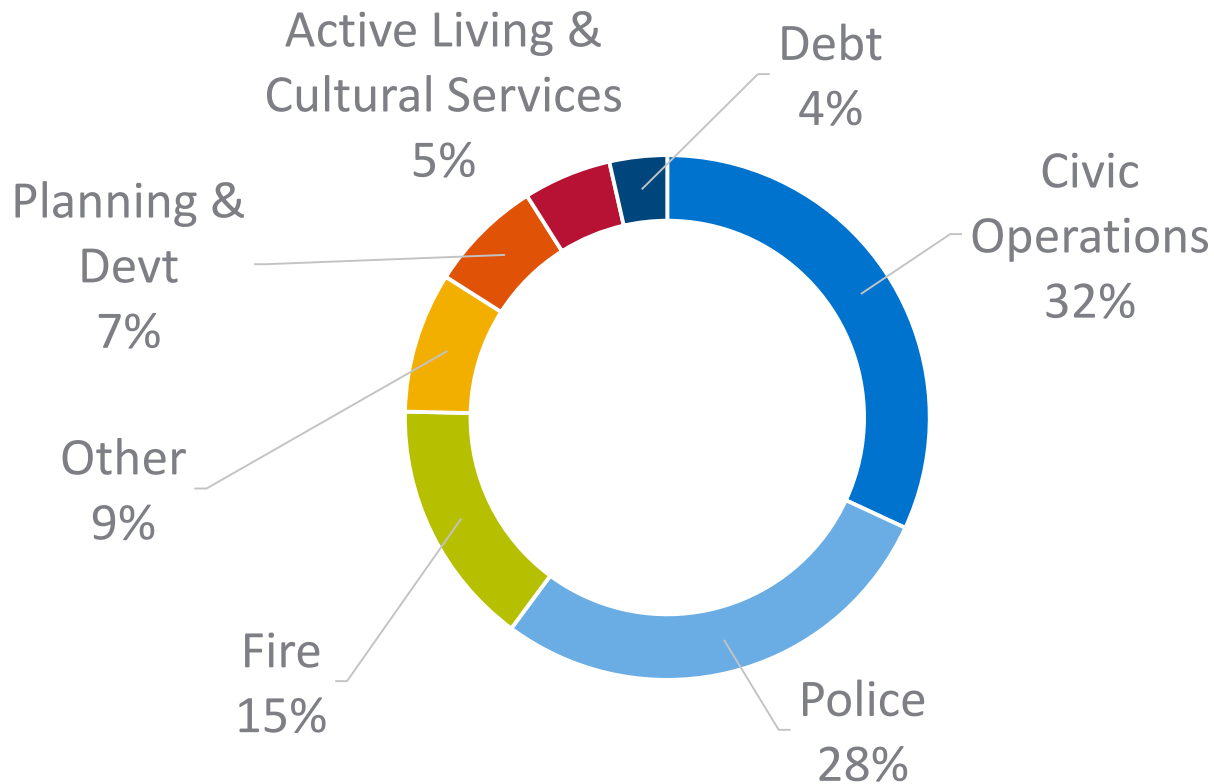
Internal Equipment	7.5
Internal Allocations	11.1
Transfers to Funds	53.0
Debt	25.1
Material	64.9
Contract Services	72.7
Salaries & Wages	84.8
Capital & Utility Tax/Rev	53.2
Capital & Utility - Other	146.3



**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

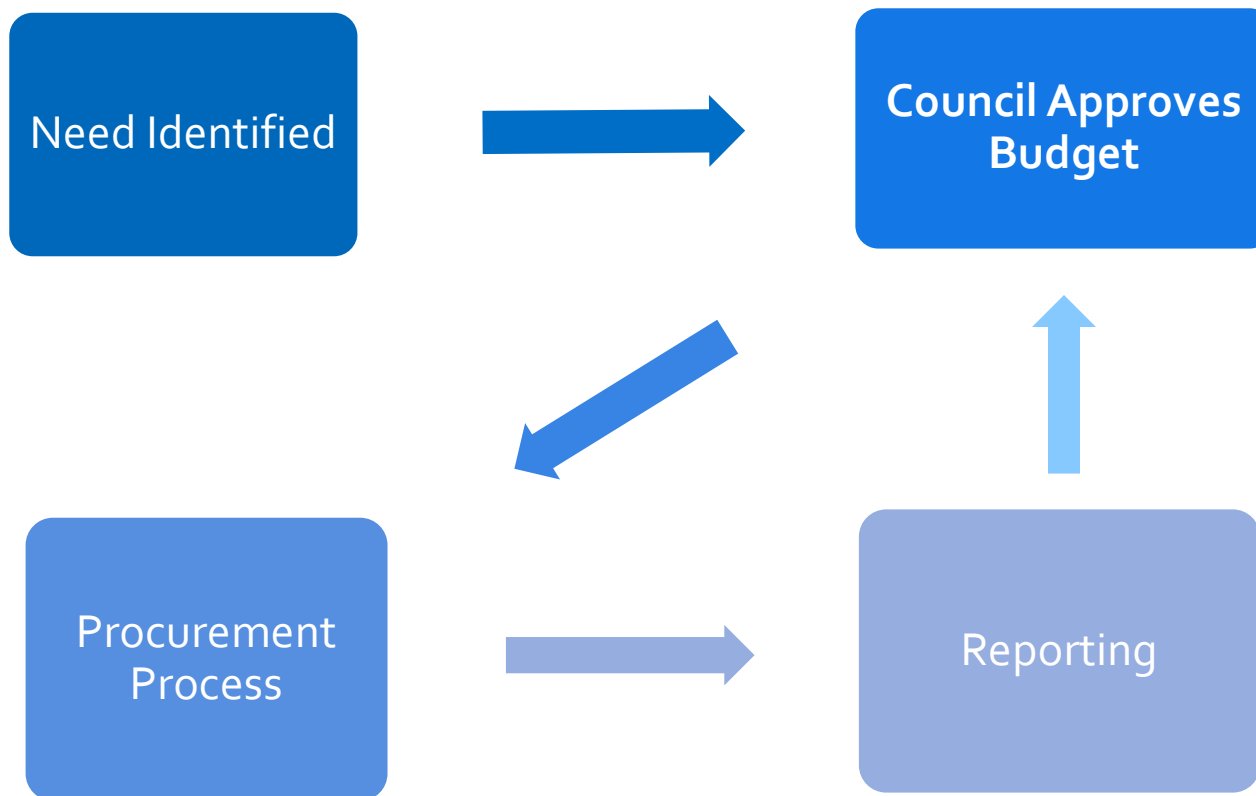


- ▶ Statement of Remuneration
  - ▶ Council Salary and Expenses
  - ▶ Staff salary and expenses > \$75k
  - ▶ Supplier payments
  - ▶ Grant provided

# 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 ?