

# Report to Council



**Date:** April 25, 2016  
**Rim No.** 0220-20  
**To:** Mayor and Councillors  
**From:** Ron Mattiussi, City Manager  
**Subject:** 2016 Financial Plan - Final Budget

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## **Recommendation:**

THAT COUNCIL adopts the 2016-2020 Financial Plan;

AND THAT Council approves the formulation of 2016 Property Tax Rates that will raise the required funds in 2016, from General Taxation, in the amount of \$119,879,430, resulting in an average net property owner impact of 4.11 per cent;

AND FURTHER THAT Bylaw No. 11227 being the 2016-2020 Financial Plan, Bylaw Nos. 11228 and 11229 being the 2016 Tax Rates and Bylaw Nos. 11230 and 11231 being the Reserve Fund Expenditures be advanced for reading consideration.

## **Purpose:**

To present the 2016 Final Budget submissions, the 2016-2020 Financial Plan and related bylaws to Council for their consideration and approval.

## **Background:**

Council approved the Provisional 2016 Financial Plan on Dec. 17, 2015 and it was amended on March 14, 2016 to include the 2015 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2016-2020 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 2016 final adjustments result in a tax decrease of 0.01 per cent from the Provisional Budget tax requirement of 4.12 per cent to the Final Budget as presented, that reflects a net municipal property tax increase of approximately 4.11 per cent.

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 has projected the 2016 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 2016 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2015 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 \$1.667 million, a reduction of \$293,000 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 2016 is \$388.0 million, a 31 per cent increase compared to 2015 new construction assessments.

#### General Revenues

There is a net general revenue decrease of \$164,900 which is a result of a reduction of expected revenue from the Fortis BC Gas Franchise Fee Revenues.

#### Operating Program

The most significant operating impacts for Final Budget relate to revenue increases for Transit and Development Services.

An increase in ridership has resulted in higher projected transit revenues for 2016. Greater revenues are also expected in rezoning and permit and inspections for heating, plumbing, swimming pools, institutional alterations and new residential accessory and semi-detached buildings.

Another final budget request is for the new agreement with respect to Biology Casework Analysis. The Ministry of Justice Police Services has created cost sharing model for DNA analysis in BC, resulting in a new expense requirement of \$64,140, funded from taxation.

The Building Services branch will conduct a short circuit and arc flash incident energy analysis for multiple sites operated by the City of Kelowna as required by WorkSafe BC and the BC Safety Authority. This analysis is required for the City to be in compliance with the standard and mitigate/control arc flash hazards. The project will be funded by the Building Repair Reserve.

The Final Budget general fund operating requirements are summarized on the blue summary sheets titled "2016 Operating Requests" found on page 1 of the Final Budget document and result in a decrease of general purpose net Operating Expenditures totaling \$467,760, excluding the general revenue increase.

#### Capital Project

The 2016 final capital budget includes one request for Structural Repairs and Traffic Deck Coating at the Library Plaza Parkade, funded by parking reserves. The total general purpose pay-as-you-go funding is \$12.0 million, a decrease of \$678,705 from the 2015 Financial Plan taxation capital value.

The capital request for structural repairs and traffic deck coating at the Library Plaza Parkade includes various concrete repairs, reapplication of the traffic deck coating and epoxy injections into leaking cracks to ensure the facility reaches maximum life expectancy. The City will see efficiencies in performing this work now by allowing for temporary relocation of customers while excess capacity is available prior to full occupancy of the new Community Health & Services Center. The project is funded from Parking Reserve.

The Final Budget general fund capital requests are summarized on the yellow summary sheets titled "2016 Capital Requests" found on page 11 of the Final Budget document.

### Utilities

There are four utility operating requests presented for Final Budget consideration shown on page 7 of the final budget document. These represent changes to debt in Airport and Wastewater and revenue changes in Water and Wastewater.

### Net Property Owner Impact

2016 assessments came in at an increase of 8.74 per cent over 2015 assessments considering both market and new construction value changes. There was a 6.71 per cent increase in overall market values and a 1.55 per cent increase in new construction assessments.

A tax rate of 4.11 per cent means the owner of a single-family home with an average assessed value of \$501,410 will pay \$1,861 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 2015, \$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 \$1,100,000 in 2015 to \$1,200,000 in 2016. After \$1,200,000 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. 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 4.11 per cent.**

The 2016 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 15<sup>th</sup>.

### **Internal Circulation:**

G. Davidson, Financial Services Director

### **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:

A handwritten signature in black ink, appearing to read "Ron Mattiussi", is written over a light grey rectangular background.

R.L. (Ron) Mattiussi, MCIP  
City Manager

cc: Divisional Directors