

# CITY OF KELOWNA

## BYLAW NO. 11805

### Five Year Financial Plan 2019-2023

---

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, 2019 to and including December 31, 2023.
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, 2019-2023, No. 11805".

Read a first, second and third time by the Municipal Council this

Adopted by the Municipal Council of the City of Kelowna this

---

Mayor

---

City Clerk

## Schedule A

### Financial Plan 2019-2023

|   | 2019               | 2020               | 2021               | 2022               | 2023               | 2024-2030            |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Revenue</b>                            |                    |                    |                    |                    |                    |                      |
| Property Value Tax                        | 142,524,821        | 149,280,095        | 154,351,756        | 160,126,155        | 167,901,157        | 1,340,717,882        |
| Library Requisition                       | 6,389,123          | 6,516,905          | 6,647,244          | 6,780,189          | 6,915,793          | 52,442,244           |
| Parcel Taxes                              | 2,956,580          | 2,675,802          | 3,439,556          | 3,464,276          | 3,486,612          | 20,376,265           |
| Fees and Charges                          | 137,048,716        | 139,008,937        | 141,836,210        | 144,561,903        | 147,902,606        | 1,135,270,026        |
| Borrowing Proceeds                        | 10,434,250         | -                  | 6,684,000          | 68,079,300         | 32,680,000         | 46,560,000           |
| Other Sources                             | 115,422,050        | 59,308,105         | 53,078,490         | 50,408,903         | 51,703,739         | 443,671,340          |
|   | 414,775,540        | 356,789,843        | 366,037,256        | 433,420,725        | 410,589,906        | 3,039,037,757        |
| <b>Transfer between Funds</b>             |                    |                    |                    |                    |                    |                      |
| Reserve Funds                             | 1,603,176          | 1,187,644          | 1,187,644          | 1,187,644          | 972,916            | 6,810,412            |
| DCC Funds                                 | 28,530,637         | 16,059,074         | 27,104,714         | 12,460,219         | 20,974,029         | 182,321,644          |
| Surplus/Reserve Accounts                  | 138,278,367        | 59,946,363         | 56,796,162         | 65,667,632         | 52,628,191         | 296,706,440          |
|   | 168,412,180        | 77,193,081         | 85,088,520         | 79,315,495         | 74,575,136         | 485,838,496          |
| <b>Total Revenues</b>                     | <b>583,187,720</b> | <b>433,982,924</b> | <b>451,125,776</b> | <b>512,736,220</b> | <b>485,165,042</b> | <b>3,524,876,253</b> |
| <b>Expenditures</b>                       |                    |                    |                    |                    |                    |                      |
| Municipal Debt                            |                    |                    |                    |                    |                    |                      |
| Debt Interest                             | 5,327,772          | 4,288,586          | 4,025,619          | 5,229,466          | 6,771,620          | 51,933,311           |
| Debt Principal                            | 11,810,243         | 8,728,587          | 6,830,677          | 6,326,306          | 8,735,609          | 63,470,188           |
| Capital Expenditures                      | 241,876,020        | 100,191,975        | 109,507,785        | 163,692,564        | 123,053,076        | 725,185,818          |
| Other Municipal Purposes                  |                    |                    |                    |                    |                    | -                    |
| General Government                        | 34,631,612         | 34,341,777         | 35,304,099         | 36,080,808         | 37,079,795         | 289,504,825          |
| Planning, Development & Building Services | 31,489,726         | 24,649,249         | 24,073,356         | 24,720,542         | 25,448,095         | 198,510,371          |
| Community Services                        | 86,757,074         | 88,258,268         | 92,006,036         | 94,660,384         | 97,522,535         | 770,246,336          |
| Protective Services                       | 60,459,039         | 63,795,721         | 66,016,961         | 68,204,137         | 70,464,448         | 561,335,346          |
| Utilities                                 | 24,624,088         | 23,364,975         | 23,316,868         | 23,861,273         | 24,442,709         | 188,607,284          |
| Airport                                   | 17,492,496         | 17,623,510         | 18,148,970         | 18,701,101         | 19,271,837         | 152,098,542          |
|   | 514,468,070        | 365,242,648        | 379,230,371        | 441,476,581        | 412,789,724        | 3,000,892,020        |
| <b>Transfers between Funds</b>            |                    |                    |                    |                    |                    |                      |
| Reserve Funds                             | 26,707,935         | 28,650,867         | 28,755,866         | 28,341,785         | 28,425,465         | 201,224,980          |
| DCC Funds                                 | -                  | -                  | -                  | -                  | -                  | -                    |
| Surplus/Reserve Accounts                  | 42,011,715         | 40,089,409         | 43,139,539         | 42,917,854         | 43,949,853         | 322,759,253          |
|   | 68,719,650         | 68,740,276         | 71,895,405         | 71,259,639         | 72,375,318         | 523,984,233          |
| <b>Total Expenditures</b>                 | <b>583,187,720</b> | <b>433,982,924</b> | <b>451,125,776</b> | <b>512,736,220</b> | <b>485,165,042</b> | <b>3,524,876,253</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;
- (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 2019. 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     | 142,525            | 24%          |
| Library Requisition    | 6,389              | 1%           |
| Parcel Taxes           | 2,957              | 1%           |
| Fees & Charges         | 137,049            | 23%          |
| Borrowing Proceeds     | 10,434             | 2%           |
| Other Sources          | 115,422            | 21%          |
| Reserve Funds/Accounts | 168,412            | 28%          |
| <b>Total</b>           | <b>583,188</b>     | <b>100%</b>  |

**Distribution of Property Tax Rates**

Table 2 outlines the council approved municipal tax distribution policy for 2019 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           | 2019 Tax Class Ratios | Tax Revenue \$ (000's) | 2018 Tax Class Ratios |
|----------------|-----------------------|-----------------------|------------------------|-----------------------|
| 01/08/03       | Res/Rec/NP/SH         | 1.0000:1              | 99,656                 | 1.0000:1              |
| 02             | Utilities             | 5.4690:1              | 681                    | 5.5475:1              |
| 04             | Major Industrial      | 6.4174:1              | 462                    | 6.6176:1              |
| 05/06          | Light Ind/Bus/Other   | 2.3555:1              | 41,152                 | 2.3777:1              |
| 09             | Farm Land             | 0.1523:1              | 10                     | 0.1524:1              |
| 91             | Farm Improvements     | 0.4980:1              | 564                    | 0.4987:1              |
|                | <b>Total Revenues</b> |                       | <b>142,525</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 2019 (based on 2018 assessment totals and tax rates) is \$2,541,867. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 298,649

Private schools - \$ 201,084

Hospitals - \$ 18,889

Special Needs Housing - \$ 63,762

Social Services - \$262,901

Public Park, Athletic or Recreational - \$ 442,443

Cultural - \$ 395,649

Partnering, Heritage or Other Special Exemptions Authority - \$ 360,899

Revitalization - \$ 497,601

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.