

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 29th day of April, 2019.

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
Revenue						
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
Transfer between Funds						
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
Total Revenues	583,187,720	433,982,924	451,125,776	512,736,220	485,165,042	3,524,876,253
Expenditures						
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
Transfers between Funds						
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
Total Expenditures	583,187,720	433,982,924	451,125,776	512,736,220	485,165,042	3,524,876,253

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%
Total	583,188	100%

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
	Total Revenues		142,525	

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.