



2018

ANNUAL REPORT

Kelowna, British Columbia, Canada

For the year ended December 31, 2018



▲ CITY OF KELOWNA 2018 ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

The Annual Report is produced by the Communications and Financial Services departments of the City of Kelowna, in cooperation with all civic departments and agencies.

Kelowna, British Columbia, Canada

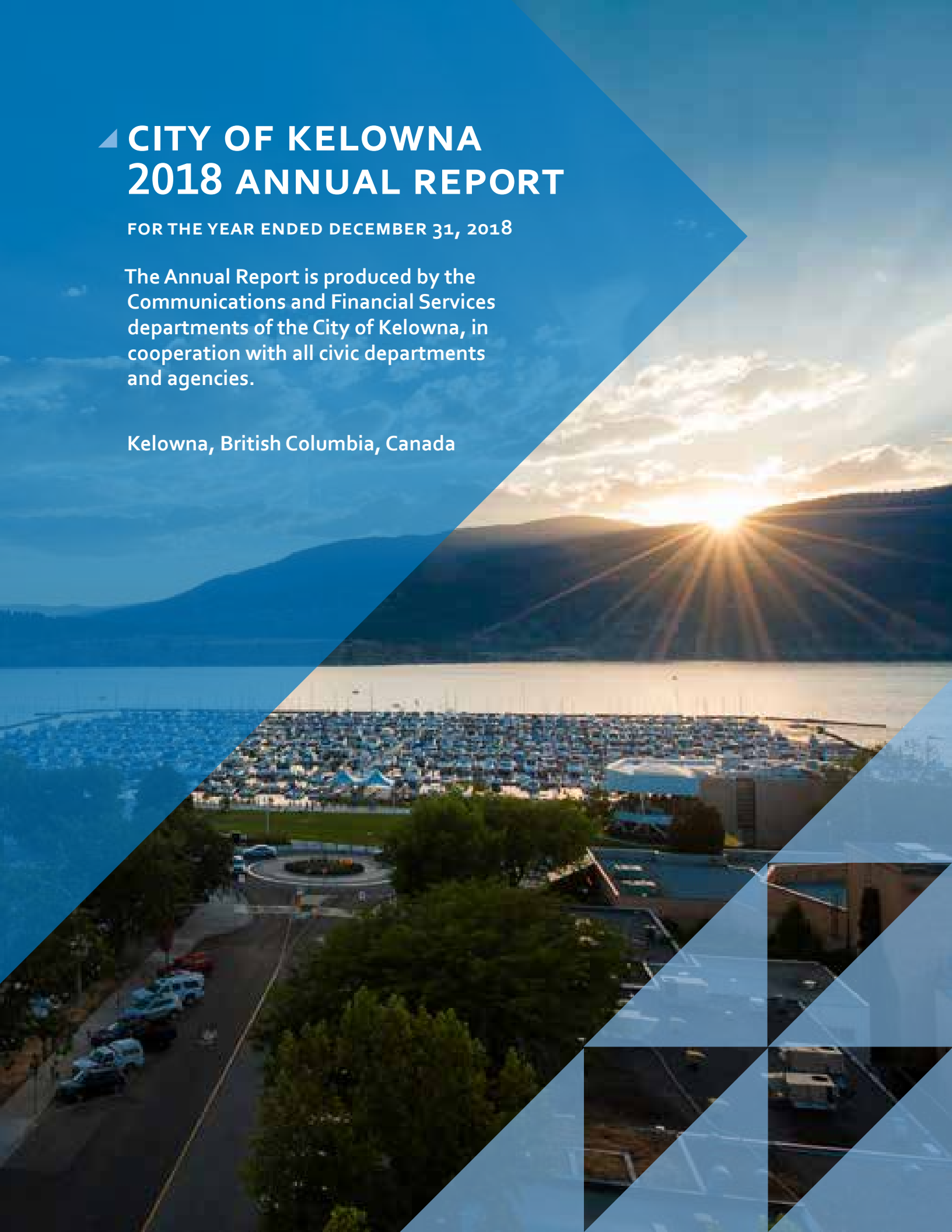


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▲ A MESSAGE FROM THE MAYOR



The City's Annual Report provides an opportunity to reflect on how our city has taken steps to make it an even more vibrant, diverse, inclusive and thriving community. I can say we learned a lot in the past year, both as a government body, but also personally. I've been candid about this: 2018 certainly had its trying moments, but through the year we saw great things emerge.

Council works together to best serve our residents, who in October 2018 voted to re-elect all incumbent candidates. I'm pleased to welcome our new colleague, Councillor Loyal Wooldridge, who took the seat vacated by former Councillor Tracy Gray. We all heard open and honest feedback from residents during the campaign trail and election: the issues, successes and priorities important to residents and where we can focus our leadership for the betterment of our community. The 2018 Citizen Survey also provided insight to help guide our decisions.

We are pragmatic about the practical needs in our community today, but we are also focused on the community's **Imagine Kelowna** vision, endorsed in 2018, to be smart and adapt to change and support innovation to preserve the quality of life we enjoy. That's why we invest millions every year in public amenities and facilities, while still managing to keep taxation demands competitive with other B.C. cities.

Despite being the fastest growing region in the province, out of 16 larger or similar-sized cities in B.C., Kelowna ranked seventh-lowest in property taxation in 2018 – more than \$200 below the provincial average. In the 2018 Citizen Survey, we heard that 79 per cent of residents say they receive good value for their tax dollars, and 87 per cent continue to say they are satisfied with the overall quality of services provided by the City.

Strong financial planning, policies and management are imperative when you maintain more than 1,600 kilometres of roads, more than 220 parks and beaches, more than 100 municipal buildings, continually expand our leasable fibre-optic network, and deliver 16 billion cubic litres of drinking water every year to Kelowna Water Utility customers.

Council remains committed to making Kelowna a safe and inclusive city where people of all backgrounds work together to meet our collective challenges. In 2018, we prioritized investments in safety, creating 25 new safety positions in the City for new firefighters, RCMP and Bylaw officers and support staff.

“We are pragmatic about the practical needs in our community today, but we are also focused on the community’s *Imagine Kelowna* vision, endorsed in 2018, to be smart and adapt to change and support innovation to preserve the quality of life we enjoy.”

Like most cities, we are taking a more active role in addressing social issues. This is happening on a scale that is relatively new to municipal governments of our size, but we cannot ignore the issues, and people look to us to show leadership in finding solutions.

It has led to stronger collaboration with our partners in government and in the community, most notably through the development of the Journey Home Strategy. I’m proud of the role the City has played in facilitating the bringing together of more than 50 community partners to deliver a five-year plan to address homelessness, with a focus on ensuring everyone has a place to call home.

It takes a lot of collaboration between agencies, organizations and people to make significant change happen. I’m proud to look back at the decisions made and projects delivered in 2018 that have helped make Kelowna a great place to live and I invite you to read about these in this year’s Annual Report.



– Colin Basran

▲ A MESSAGE FROM THE CITY MANAGER



It is with a sense of accomplishment and optimism that I present the City of Kelowna's 2018 Annual Report. Looking back on 2018, it was a year marked by a view to the future of our great city. A municipal election in the fall saw the start of a new Council term and I transitioned into the role of City Manager in June. We reimagined our future through **Imagine Kelowna** and launched key foundational plans that we will build upon to ensure Kelowna continues to be a great place to live, play and conduct business.

The strong financial management reflected in this document is paramount to our operations, and it is imperative that we are accountable to residents about how their tax dollars are being invested in City services. The Annual Report provides the platform for financial transparency and it gives us an opportunity to reflect on how we delivered milestone initiatives that shape our community.

Through *Imagine Kelowna* our residents have asked for a Kelowna that is shaped by collaboration, responsible decision making, connected citizens and by adapting in smart ways to rapid growth. I can say that looking back at 2018, we are already advancing these goals.

2018 was also the beginning of a new era of partnerships. The City as a convener, will facilitate collaboration amongst our residents, partner agencies and other levels of government to address collective challenges and contribute to making Kelowna a vibrant, safe and inclusive community. A highlight of 2018 was the development and endorsement of the Journey Home Strategy that saw more than 50 community partners collaborate to address homelessness in a realistic and supportive way.

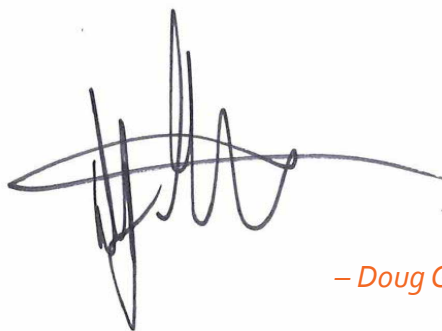
Continuing to keep residents safe is also a key priority. The 2018 Public Safety Report recommends further collaboration – working together to address complex issues. In the 2018 Citizen Survey, we heard from residents that their top concerns were addressing social issues and public safety. To respond to this issue, we invested in safety by hiring 12 new firefighters, four RCMP officers, four Bylaw Officers and five Police Services support staff.

Serving at Council's direction, our team of skilled and dedicated staff moved Council priorities forward in 2018, including: launching the Official Community Plan and Transportation Master Plan, delivering the Healthy Housing Strategy, opening the Okanagan Rail Trail with partner jurisdictions, expanding access to lakefront parks, introducing a spectacular 28 kilometre paddle trail and breaking ground on the \$86 million water integration project to bring clean drinking water to Southeast Kelowna and a reliable source for agriculture in the South Mission. These are just a few examples of what made 2018 a memorable year.

Through *Imagine Kelowna* our residents have asked for a Kelowna that is shaped by collaboration, responsible decision making, connected citizens and by adapting in smart ways to rapid growth. I can say that looking back at 2018, we are already advancing these goals. //

As Kelowna's new City Manager, I also take this opportunity to look forward. I am committed to leading an organization that delivers the *Imagine Kelowna* goals and principles. We are a City that values people, exceptional service and a view to our long-term sustainable future.

I see the need for our organization to be innovative, bold and unafraid to do things differently to better serve our residents. We must continue to use strong partnerships to meet our challenges and embrace our growing community for its talent, diversity and inclusivity. 2018 has given us the foundation to get there and I'm extremely excited for the potential our future holds.



– Doug Gilchrist



▲ OUR COMMUNITY

Kelowna is located along the beautiful shores of Okanagan Lake, in the heart of the stunning Okanagan Valley.

With a population of 131,600 Kelowna is the largest community in the Regional District of Central Okanagan. As a desirable place to live, offering an active four-season lifestyle, Kelowna remains one of Canada's fastest growing cities. By 2040 more than 50,000 new residents are expected to call Kelowna home. Dynamic tourism, cutting edge technology and deep rooted agriculture sectors remain pillars of the economy.

The lake offers opportunities for boating, swimming or fishing, while nearby mountains attract hikers, skiers and outdoor enthusiasts. Golfers tee-it-up at our 13 courses, and bustling urban centres offer restaurants with delectable food, award-winning wines, craft beers and ciders, local shopping, museums, live entertainment and cultural festivals.

131,600

RESIDENTS CALL KELOWNA HOME



97% OF CITIZENS RATE
THEIR QUALITY OF LIFE
AS GOOD OR VERY GOOD

214 KM² LAND
48 KM² WATER AREA

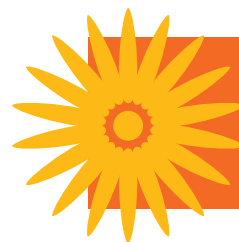
344 METRES
ABOVE SEA LEVEL

15,000
STUDENTS

AT UBC OKANAGAN
& OKANAGAN COLLEGE



\$1.6 BILLION
REGIONAL TECH SECTOR



**ARROWLEAF
BALSAMROOT**
OFFICIAL FLORAL EMBLEM

▲ OUR CITY

The organization is led by our new City Manager and dedicated Mayor and Council. More than 900 employees deliver quality services to ensure our City is safe, vibrant and sustainable. A fiscally responsible municipality, the City of Kelowna provides core services, maintains existing infrastructure and builds new amenities when needed.

The public is kept informed of City projects and progress through an array of **publications** and the user-friendly and mobile responsive **kelowna.ca** website. Citizens can also provide input and be involved on key projects through the City's online engagement platform **getinvolved.kelowna.ca**. Engaged citizens help build strong neighbourhoods and create a city that is welcoming and inclusive.

▲ **VISION**
TO BE THE BEST MID-SIZED CITY IN NORTH AMERICA.

MISSION
LEADING THE DEVELOPMENT OF A SAFE, VIBRANT AND SUSTAINABLE CITY.

▲ 2018 CITIZEN SURVEY

The **2018 City of Kelowna Citizen Survey** gauged public satisfaction with municipal programs and services, providing insight into citizens' service priorities.

94%

**RATED THE
QUALITY OF LIFE
AS GOOD OR VERY
GOOD**

87%

**SAY THEY ARE
SATISFIED WITH
THE OVERALL
LEVEL AND
QUALITY OF
CITY SERVICES**

79%

**SAY THEY RECEIVE
GOOD VALUE FOR
THEIR TAXES**

79%

**DESCRIBE THE
COMMUNITY AS
BEING SAFE**

▲ TOP ISSUES

51%

SOCIAL ISSUES

43%

TRANSPORTATION

11%

CRIME & SAFETY

▲ TOP FIVE PRIORITY INVESTMENTS

- Addressing social issues
- Traffic flow
- Drinking water
- Housing options
- Policing

▲ MAYOR & COUNCIL

The City of Kelowna is governed by an elected Mayor and eight Councillors for a four-year term. Council provides direction and establishes the policies and budget to guide the growth, development and operations of the city. Council meets regularly and the public is welcome to attend any open meeting or provide feedback in writing via mail or email.

In the fall of 2018, Kelowna residents voted in the municipal elections to elect Council for the 2018-2022 term. In early 2019, Council will work to establish its priorities for its term in office and the direction for the next four years.

kelowna.ca/council



COLIN BASRAN

Mayor



MAXINE DEHART

Councillor



RYAN DONN

Councillor



GAIL GIVEN

Councillor



CHARLIE HODGE

Councillor



BRAD SIEBEN

Councillor



MOHINI SINGH

Councillor



LUKE STACK

Councillor



LOYAL WOOLDRIDGE

Councillor

▲ CIVIC & COMMUNITY AWARD WINNERS



Honouring individuals and organizations for outstanding contributions and achievements in 2018 that directly benefited the community, making Kelowna a better place to live, work and play.

The following recipients were recognized at the awards gala on April 24, 2019.

THE JOURNEY HOME TASK FORCE

Anita Tozer Memorial Award – bestowed by Council

DEVIN RUBADEAU

Bob Giordano Memorial Award – Coach/Sport Administrator of the Year

KELOWNA RINGETTE U16A ELITE

Bryan Couling Memorial Award – Athletic Team of the Year

KELSEY SERWA

Female Athlete of the Year Award

FYNNIAN MCCARTHY

Male Athlete of the Year Award

LONICA MCKINNEY

Female Augie Ciancone Memorial Award – Top High School Athlete

BRANDON FRECHETTE

Male Augie Ciancone Memorial Award – Top High School Athlete

KENEISHA CHARLES

Young Female Volunteer of the Year Award

MATTHEW RICHARDSON

Young Male Volunteer of the Year Award

ANNETTE BAKALA

Teen Honour in the Arts Award

RYAN GRENIER

Honour in the Arts Award

HELPING OUT PEOPLE EXPLOITED (HOPE) OUTREACH

Central Okanagan Foundation – Volunteer Organization of the Year Award

GWEN STEELE

Champion for the Environment Award

GIUSEPPE (JOE) IAFRANCESCO (1947-2018)

Fred Macklin Memorial Award - Man of the Year

ANGIE LOHR

Sarah Donald-Treadgold Memorial Award – Woman of the Year

SECURE-RITE MOBILE STORAGE INC.

Corporate Community of the Year Award – Small Business

RAYMOND JAMES – KELOWNA CORPORATE BRANCH

Corporate Community of the Year Award – Medium/Large Business

AWARDS & RECOGNITION

The City of Kelowna received a number of awards and recognition in 2018, including:

**GOVERNMENT FINANCE OFFICERS ASSOCIATION
CANADIAN AWARD FOR FINANCIAL REPORTING**
2017 Annual Report

This is the 16th consecutive year that the City has received this award recognizing excellence in governmental accounting and reporting.

**GOVERNMENT FINANCE OFFICERS ASSOCIATION
DISTINGUISHED BUDGET PRESENTATION AWARD**
2018 Financial Plan

This is the highest form of recognition for governmental budgeting and represents a significant achievement for the City over the last 17 consecutive years.

**TOP PLACE IN BRITISH COLUMBIA
TO OPEN A SMALL BUSINESS**
Canadian Federation of Independent Business

**EXCELLENCE IN SNOW
& ICE CONTROL AWARD**
Public Works Association of British Columbia

**EXCELLENCE IN RISK
MANAGEMENT AWARD**
Municipal Insurance Association of British Columbia (MIABC)
Recognized for bringing independent accreditation (quality assurance) to the Development Services Department

SMART21 COMMUNITIES
Intelligent Community Forum (ICF)

Recognized as a best model of economic, social and cultural development in the digital age

**WORKSAFE BC CERTIFICATE
OF RECOGNITION**
Resulting in \$190,000 premium rebate



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

**City of Kelowna
British Columbia**

For its Annual
Financial Report
for the Year Ended

December 31, 2017

A handwritten signature in black ink that reads "Christopher P. Morrell".

Executive Director/CEO

▲ CORPORATE FRAMEWORK

In 2018 the City's administration delivered on programs, services and projects with the Corporate Framework guiding operational work done by City staff.

The Corporate Framework captures what the City of Kelowna does to:

- Be an active, inclusive city
- Be a safe city
- Have resilient, well-managed infrastructure
- Provide a clean, healthy environment
- Foster a strong economy

At its core is the Corporate Plan (a Well-Run City) outlined below. With a new City Manager at the helm, the senior leadership administration will be reviewing and updating the corporate strategic direction in early 2019.

CORPORATE PLAN (A WELL-RUN CITY)

STRONG FINANCIAL MANAGEMENT

Ensure the City is financially sound, accountable and transparent, and that long-term plans and policies protect the financial viability of services, programs and infrastructure.

PERFORMANCE EXCELLENCE

Ensure alignment of work to our highest priorities, focus on results, continuous improvement of services based on innovation and best practices.

PASSIONATE PUBLIC SERVICE

Build a resilient, adaptable workforce that shares a public service culture supported by career planning, learning opportunities, empowerment and employee accountability.

PIONEERING LEADERSHIP

Incubate new ideas and approaches, and seize opportunities to demonstrate leadership at any level to make significant improvements to key services.

ENGAGED COMMUNITIES

Ensure communication, outreach and engagement efforts reach all residents and stakeholders using multiple communication channels including new technologies and social media.

RESPONSIVE CUSTOMER SERVICE

Ensure services are accessible and focused on the needs of the customer.

▲ FINANCIAL STRATEGY: STRENGTH & STABILITY

The ability to acquire and manage a portfolio of financial and physical assets that meet the current and future needs of our community. Read more about our [Financial Management Strategies](#) on page 31.

FINANCIAL STRATEGY

- Assets – New
- Assets – Renew
- Debt
- Development Financing
- Grants
- Operations
- Partnerships and Enterprise
- Property Taxation
- Reserves and Surplus Funds
- User Fees and Charges

FINANCIAL PRINCIPLES

- Sufficient
- Pragmatic
- Flexible
- Transparent
- Balanced

PLANS THAT INFLUENCE FINANCIAL DECISIONS

- Council Priorities
- Official Community Plan
- Imagine Kelowna vision
- 10-year Capital Plan
- 2030 Infrastructure Plan
- 20-year Servicing Plan
- Community Trends report

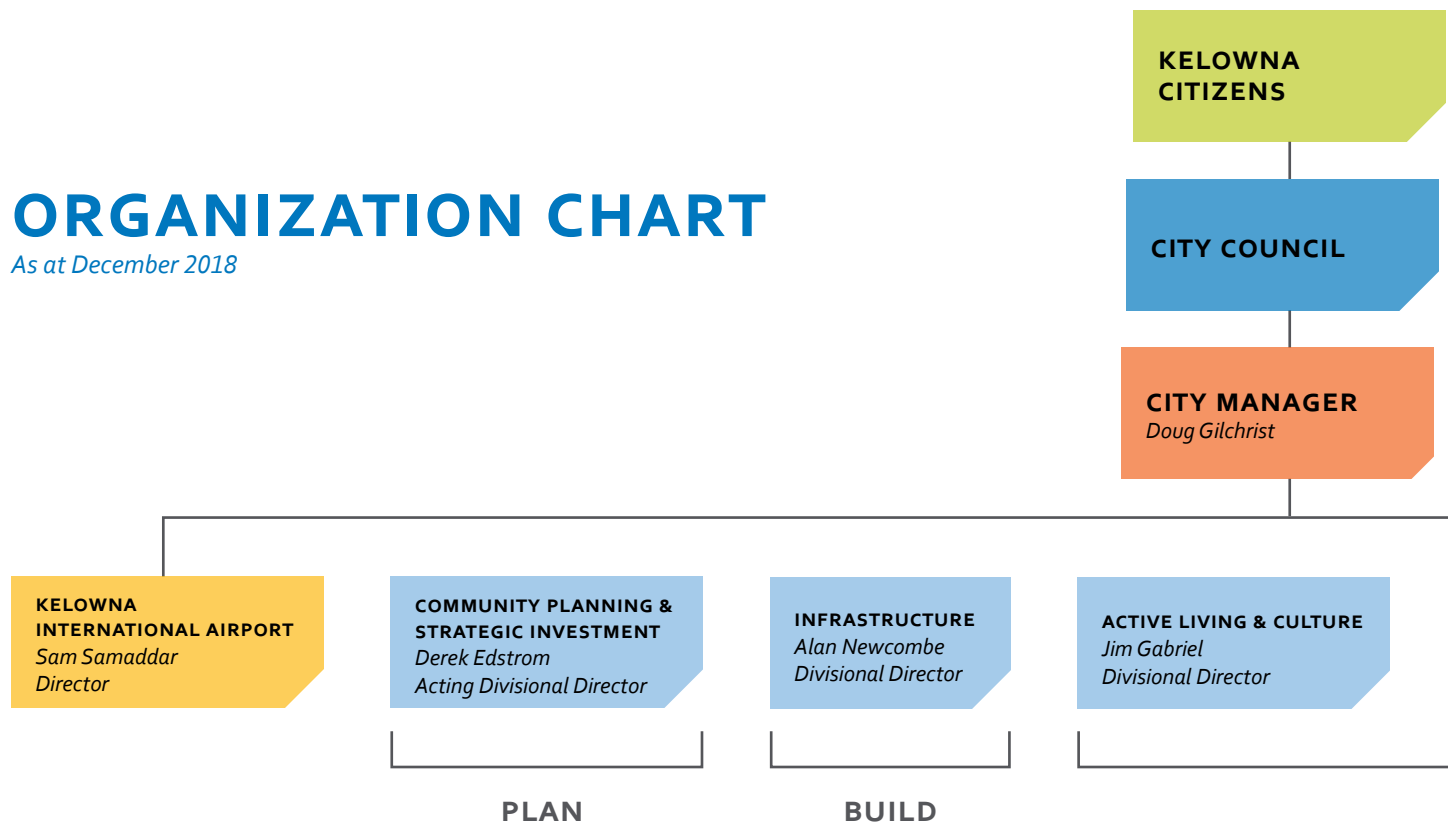


CITY HALL



ORGANIZATION CHART

As at December 2018





2018 WAS A YEAR OF...

Imagining our future and laying key foundational plans that will define our future Kelowna. It was also a year of collaboration and facilitating valuable community partnerships. City staff delivered on initiatives, projects and strategies aligned with Council priorities to support our growing community.

NEW LEADERSHIP

It was a year of new leadership with City Manager Doug Gilchrist hired to lead the City's administration. During the fall 2018 General Local Election, Mayor Colin Basran was re-elected to lead Council for the 2018-2022 term. The elections saw 32,151 voters cast their vote over six days of voting and 24 opportunities, including accessible voting for individuals with diverse abilities and mail ballot voting.

COMMUNITY SAFETY

Community safety was a priority focus area in 2018. Council invested in safety resources with the addition of 25 new safety first responder and support positions. Bylaw and RCMP foot patrols were increased in the downtown area and a one-number needle pick-up was established for residents to call if they found a needle in public spaces or outside private residences.

To better understand the complexities of social and safety issues, former RCMP Superintendent Bill McKinnon was hired to connect with community partners and develop a **set of recommendations** on how to move forward with addressing the complexities of the public safety landscape.

Investments also included the conversion of Fire Station No.8 to a career and paid-on-call fire station to improve the emergency response time to the Glenmore and Northern areas of the city. In addition, a \$500,000 upgrade to the fire dispatch system was completed.



OPEN FOR BUSINESS

Building a strong economy and creating an environment where businesses can thrive contributes to making a great city.

Supporting tourism as a pillar of our economy, we ratified a lease agreement with Tourism Kelowna to allow for the development of a visitor information centre in a location that capitalizes on visitor trends in our community and reflects best practices in tourism development.

We expanded our **dark fibre** offering for entrepreneurs and organizations to plug into with the installation of an additional 23 km of fibre optic cable that connects the Airport and UBC Okanagan in the north, Okanagan College, Kelowna General Hospital, and City infrastructure in the south to the central city core.

We took steps to introduce the new federally-legalized cannabis industry into our community by amending **zoning bylaws relating to production and retail sales of non-medical cannabis** and developing application requirements, process and a scoring matrix for new cannabis businesses applicants. We received 41 rezoning application submissions in the first intake by the end of November.

STRONG FINANCIAL MANAGEMENT

As stewards of public funds, through strong financial management, City projects and services for 2018 were funded from a variety of sources, with 74 per cent coming from sources other than taxation.

In the **2018 Citizen Survey** 79 per cent of residents said they receive good value for their taxes. Citizens continue to prefer tax increases over service reductions: when given the choice, 55 per cent of citizens choose increased taxes compared to 33 per cent opting for service reduction.





←
Memorial Park
0.8 km

Glenmore
2.5 km

→
**Parkinson
Recreation
Centre**
0.2 km

**RapidBus
Station
Parkinson**
0.7 km

Rails with Trails
Parkinson Recreation Park





COLLABORATION

IMAGINE KELOWNA PRINCIPLE

A community where people of all backgrounds work together to meet collective challenges.

A vision by our community, for the community, emerged after more than two years of public engagement in the largest city conversation ever. Council endorsed the **Imagine Kelowna** community vision which positions Kelowna for a future that puts people first, values its history, encourages curiosity and creativity, and recognizes the changing roles of individuals, businesses, government and community.

2018 saw the **Journey Home Strategy** developed and endorsed by Council. It is a housing-first, five-year action plan to support an estimated 2,100 people experiencing, or at risk of, homelessness in our community by 2024. Together with a community task force, the City facilitated the collaboration of more than 50 community and government partners. The strategy will see the addition of 300 new supportive housing units, 500 program spaces and a backbone organization to ensure that everyone has a place to call home.

As part of the Inter-Jurisdictional Development Team, we helped complete the construction of the nearly 50 km pedestrian and bicycle **Okanagan Rail Trail** constructed on the discontinued CN Rail corridor. In Kelowna, residents and visitors can connect from downtown to mid-town, UBC Okanagan and the airport via this paved, separated multi-use trail.

This inter-regional project was made possible through a partnership that includes: The City of Kelowna, District of Lake Country, Regional District of North Okanagan and Okanagan Indian Band. Development was funded through a community campaign including donations from 5,089 individuals and organizations in addition to provincial and federal government grants.

We also collaborated with BC Transit to implement **Automated Vehicle Locator** real-time tracking. Riders can use mobile devices to see the location of their bus along its route and predicted arrival time.



SMARTER

IMAGINE KELOWNA PRINCIPLE

A community willing to learn, adapt and grow so we can thrive amid rapid change.

In 2018 we took steps towards planning for our future by launching the update to two significant long-range master plans which will work together to plan for a future that sees 50,000 new residents call Kelowna home by 2040.

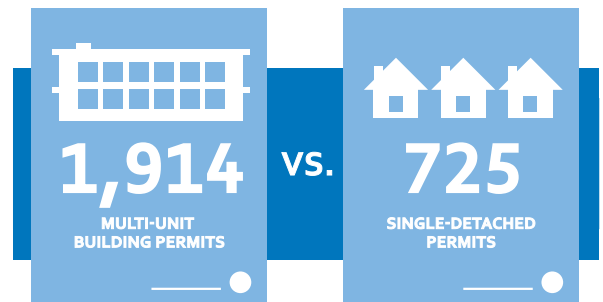
The [Official Community Plan, Kelowna 2040: Our Kelowna as we Grow](#) will set the vision, strategies and objectives for 20 years of growth. The [Transportation Master Plan: Our Kelowna as we Move](#) will look at creating a good transportation network that is safe, cost-effective and sustainable. In addition, the Regional Transportation Master Plan: Connecting our Region was launched in 2018.

Imagine Kelowna outlines the goal of building healthy neighbourhoods that support a variety of households, income levels and life stages. In 2018, Council endorsed the [Healthy Housing Strategy](#): a five-year, 19-action item plan towards diverse, affordable and attainable housing.

The development of Central Green – a residential master-planned community – will build up an urban residential centre close to downtown. The land, previously owned by the City of Kelowna, was sold to support the development of increased rental and multi-unit family housing. It adds more than 115 affordable and supportive housing units in Kelowna.

We continue to be proactive and innovative in adapting to climate change and looking at ways to be more resilient. We completed the energy efficient (and cost-saving) solution of [retrofitting 10,000 street lights to LED light bulbs](#) which will result in nearly \$13 million in cost savings over the next 15 years.

As freshet, flooding, landslides and wildfires become a familiar reality, we continued to demonstrate strength, adaptability and resiliency in responding to these local and regional emergencies by [investing in mitigation projects](#) to help keep our community safe.





CONNECTED

IMAGINE KELOWNA PRINCIPLE

A community where residents are connected to their neighbours, their city and the wider world.

Adding to our natural outdoor playground, we opened the spectacular 28 km Kelowna Paddle Trail on Okanagan Lake from Bertram Park to McKinley Beach as the newest **Active by Nature** route.

We increased public lakefront park access in the Mission with the acquisition of a 0.89 hectare future park property on Hobson Road and opened the interim access to the popular one hectare Bluebird Beach Park.

GREAT PUBLIC SPACES

- **Phase 1 Rowcliffe Park**
 - Large accessible playground
- **Boyce-Gyro Beach upgrades**
 - 126 permanent parking stalls
 - New volleyball courts
- **Kerry Park upgrades**
 - Pedestrian & landscape improvements

The community came together to celebrate **Park & Play's 10th anniversary** with free family fun events held in 48 City parks throughout the summer.

We also awarded nine Neighbourhood Grants (nearly \$8,000) for resident-led enhancements to the areas they live in, and supported 18 neighbourhood events that saw more than 1,100 participants come together as part of the **Strong Neighbourhood program**.

As our community grows and evolves into a larger urban centre, we want to continue offering and fostering dynamic cultural options for residents and visitors to enjoy. An update to the City's **Cultural Plan** was launched in 2018 with a number of options for the public to provide input.

We also provided approximately \$650,000 in community development grants to support social development, arts, culture, heritage, and sport organizations, individuals and events in the community.

Embracing diverse transportation options, Phase 2 construction to open the **Rutland Transit Exchange** for full service and the extension of Shepherd Road was completed. This improves connectivity and increases access for pedestrians, cyclists and transit users in the Rutland Town Centre.

We partnered with senior levels of government to build and open **John Hindle Drive**, providing a new route to UBC Okanagan and Kelowna International Airport. The City also built a multi-use overpass helping pedestrians and cyclists get to campus safely.

We introduced a **bikeshare pilot program** which saw 33,000 rides in the first three months.

NEW PUBLIC ART

FROM WITHIN
SCULPTURE AT THE KARIS WOMEN'S
SUPPORT SOCIETY

THE VALLEY
SCULPTURE ATTACHED TO THE
LIBRARY PARKADE





▲ RESPONSIBLE

IMAGINE KELOWNA PRINCIPLE

A community where decisions are made ethically and where social and environmental concerns are prioritized.

We broke ground on the \$86 million **Kelowna Integrated Water Phase 1 project** to integrate the South East Kelowna Irrigation District (SEKID) and deliver agriculture water to the South Mission. Plus, we secured an additional \$12 million provincial grant for Phase 2 of the Integrated Water project, building on the \$43.9 million previously received in 2017 for Phase 1.

We launched a review of the newly acquired SEKID irrigation system assets to assure long term sustainability of the agricultural water system.

The Source Water Protection Plan for the City's four lake water intakes was developed and we also worked on the development of a broader separate plan with the Okanagan Basin Water Board.

We completed policy and regulation updates to implement the **Agriculture Plan** to provide clear and transparent land use direction.

An aerial photograph of Kelowna, British Columbia, showing a mix of residential neighborhoods, commercial areas, and a large stadium. In the foreground, two people are walking away from the camera on a dirt path on a grassy hill. The image is overlaid with a large orange triangle on the left and a yellow triangle on the right.

FINANCIAL INFORMATION

▲ FINANCIAL SERVICES

The City of Kelowna is committed to financial strength and stability. The City defines this as the ability to acquire and manage a portfolio of financial and physical assets that meet the current and future needs of our community. This commitment to excellence was recognized again by the Government Finance Officers Association. In 2018 and for the 16th year in a row, the City was awarded the Canadian Award for Financial Reporting and, for the 17th year the Distinguished Budget Presentation Award.

CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Kelowna for its annual financial report for the fiscal year ended December 31, 2017. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

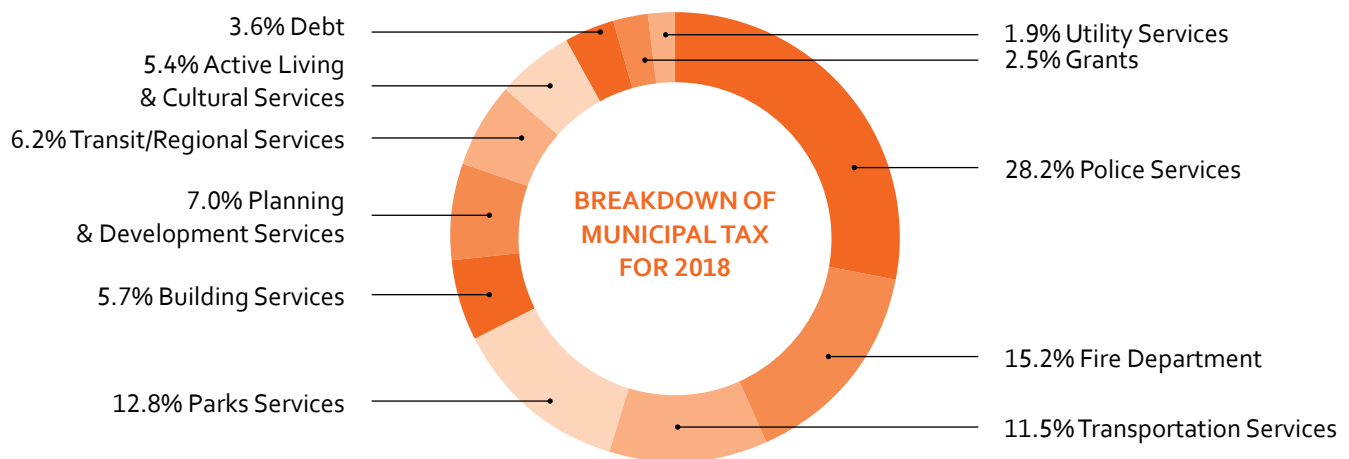
A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA.

▲ PROVISION OF SERVICES & SUPPORT FOR GROWTH

The 2018 taxation increase averaged 2.99 per cent for all property classes. This increase reflected resources allocated to the emerging challenges of growth: increased safety resources, balanced and active transportation solutions, ongoing commitments to address homelessness and plans for a sustainable future. The use of tax revenue and development cost charges generated from new growth assist in providing a balanced approach to the expansion of services and infrastructure required to accommodate growth within the municipality.

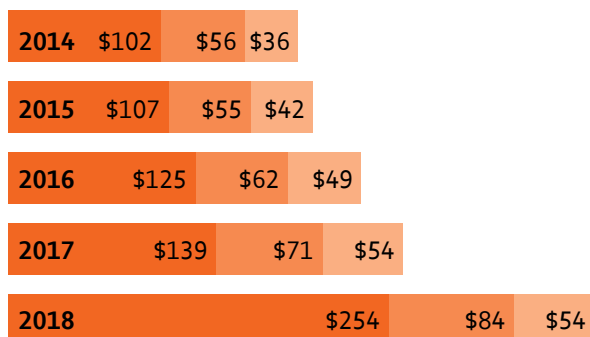
The City budgeted to collect a total of \$235.5 million in taxation revenues, 57 per cent of which was retained for municipal purposes. The remaining 43 per cent is levied on behalf of other governments and agencies to provide funding for schools, the Regional District of Central Okanagan shared services, libraries, regional hospital, Kelowna business improvement areas, and for BC Assessment to cover the City's share of costs associated with providing assessment information.

The City has historically relied on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. In 2018, 5.3 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. The 0.3 cent decrease from 2017 is due to interest rate resets related to borrowing for Chapman Parkade, Okanagan Gymnastics Centre, H2O Adventure + Fitness Centre and the Police Services Facility. Pay-as-you-go capital project funding represented 9.5 per cent of the 2018 taxation requirement.



CONSOLIDATED RESERVES & SURPLUS

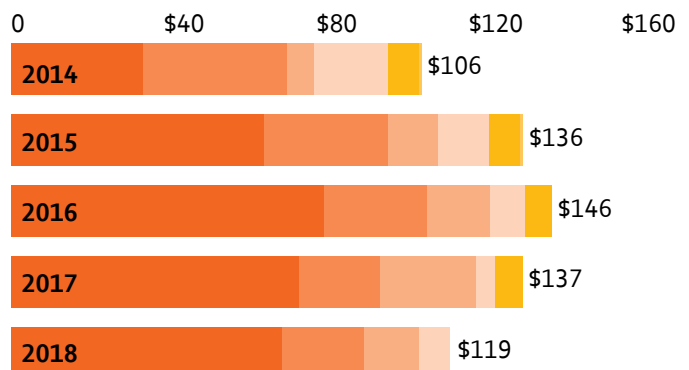
millions



● Reserve for future ● Statutory ● Surplus

LONG TERM DEBT

millions



● General ● Wastewater ● Airport
● Natural Gas ● Water ● Library

CITY RESERVES

City reserves provide a financial mechanism for saving money to finance all or part of future infrastructure, equipment and other requirements. Reserve funds can also provide a degree of financial stability, by reducing reliance on indebtedness to finance capital projects and acquisitions, flexibility to leverage opportunities as they arise, or safeguards to extraordinary tax increases.

▲ DEVELOPMENT COST CHARGES

Development cost charges (DCCs) are fees that municipalities collect from new development to help pay the cost of infrastructure services that are needed for growth. Imposed by bylaw pursuant to the *Local Government Act*, the charges are intended to facilitate development by providing a method to finance capital projects related to roads, drainage, sewer, waterworks, and parkland.

The City's DCC program supports community development and integrates with longer-term plans. Infrastructure requirements are based on the Official Community Plan that estimates a resulting population of 161,701 by the end of 2030. The 20-Year Servicing Plan and Financing Strategy provides the infrastructure requirements to 2030 along with the cost sharing for various projects. Cost sharing methodologies reflect the level of benefit to existing taxpayers and new growth. Charges are based on the demand placed on services by different residential types, commercial, industrial, and institutional growth.

The latest update to the 20-Year Servicing Plan impacted DCC rates with the changes taking effect in July 2016. The DCC rates were updated to reflect the construction and land costs of the day. This plan reflects a total program cost of \$785 million. The funding for the program is 66 per cent from Development, 28 per cent from City funds, and 6 per cent from senior levels of government. Arterial Roads maintain the largest share of the program at \$462 million; followed by Park Land acquisition at \$136 million.

Wastewater Treatment at \$86 million, Water Distribution at \$60 million, and Wastewater Trunks at \$41 million. In 2018, staff reviewed the current costs of development infrastructure and will be submitting rate updates in 2019 for Council approval.

Local governments are permitted to temporarily lend available money from one DCC reserve fund to another. The money, along with appropriate interest, must be returned to the original reserve fund. For 2018, a deficit in Water Sector B reserve fund was covered from Water Sector A, and a deficit in the Wastewater Treatment reserve was covered by Water Sector A and Roads Sector A reserve fund.



MUNICIPAL ASSIST FACTOR

The *Local Government Act* requires local governments to assist in the cost of new infrastructure. The municipal assist factor reflects Council and the community's support towards the financing costs of new infrastructure. The level of the assist, determined by City Council, reflects a benefit to the existing population while encouraging development and housing affordability.

City of Kelowna assist factor

Roads	15%
Parks	8%
Water	1%
Wastewater	1%

MAJOR PROJECT EXPENDITURES IN 2018

Parks

\$5.5 million – Parkland Acquisition at 591 Poplar Point Drive and 4214 Hobson Road.

Roads

\$3.7 million – John Hindle Drive, Steward Road DCC and debt repayment.

Water

\$222k – South End Water Upgrades.

Wastewater Trunks and Treatment

\$5.95 million – Airport Gravity Main Bypass, and debt repayment.

FUTURE PLANS

Total program expenditures are projected at \$27.5 million.

Parks

\$5.2 million – Dewdney park expansion and planned parkland acquisition.

Roads

\$11 million – Stewart Road, South Perimeter Road, Hollywood Road, McCulloch Road (KLO, Hall, Spiers) Improvements, Sutherland Avenue and Ethel Street Active Transportation Corridors and Sector B Top Lift Paving.

Water

\$795k – South End Water Upgrades and Skyline Pump Station Electrical Building Upgrades.

Wastewater Trunks and Treatment

\$10.5 million – Guy Street Lift Station, Swordy Road Sewer Upgrades, Water Street and Gyro Force Mains and debt repayment.

Development Cost Charge Reserve Funds

(thousands of dollars)

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance	Reductions/ Waivers*
Parks	\$ 10,300	\$ 10,864	\$ 275	\$ 3,161	\$ 18,278	\$ 91
Roads	30,038	15,826	782	3,596	43,050	161
Water	12,094	1,268	289	222	13,429	15
Wastewater	(9,665)	7,939	(247)	5,950	(7,923)	107
Total	\$ 42,767	\$ 35,897	\$ 1,099	\$ 12,929	\$ 66,834	\$ 374

*Waivers are for Affordable Rental Housing and are paid for through taxation.

The DCC program underwent a minor update in 2016 and was reviewed and approved by Council.

On April 18, 2016 Council approved the **2030 Infrastructure Plan**, which identifies all the City's infrastructure investment needs for the next 15 years (2016 – 2030).

▲ FINANCIAL MANAGEMENT STRATEGIES

Principles and Strategies for Financial Strength and Stability have been adopted by Council establishing guidelines for how the City will acquire and manage a portfolio of financial and physical assets that meets the current and future needs of our community.

The 10 financial management strategies are:

ASSETS – NEW

Expenditures for new assets will be prioritized based on social, economic and environmental factors and life cycle cost implications. Emergent opportunities will be evaluated against existing priorities. Investment in new assets should follow the long-term capital plan. The decision-making process for new asset investment will be documented, transparent and clearly communicated to Council, staff and the community.

ASSETS – RENEW

The City will invest in existing infrastructure renewal in accordance with the long-term capital plan. Funding for asset renewal will be balanced against service levels and risk tolerance. Life cycle costs should be managed through preventative maintenance and renewal strategies.

DEBT

General Fund debt servicing costs will be maintained at or below a targeted level of annual taxation demand. The City's debt capacity will be preserved by limiting the use of debt to fund only one-time major capital projects. If possible and when beneficial, debt will be paid down earlier. Financing for less than a five-year term will be completed through internal financing. Impacts on overall City debt levels from "self-funded" cost centres and Funds will be reviewed and understood.

DEVELOPMENT FINANCING

Developers will pay their fair share for growth-related infrastructure through DCCs and other tools. Where appropriate, other funding can be used to provide additional capacity over and above the current OCP horizon. Taxation-funded DCC's through grant programs may be used to encourage economic development and community projects.

GRANTS

Grants will only be pursued for the City's priority projects. Grant funding will not increase the scope of a project without Council endorsement. Annual project funding must be sufficient without conditional grants. Long-term financial planning will rely on unconditional grant opportunities only.

OPERATIONS

All services, including new services, must be aligned with the City's priorities and reviewed regularly. The full financial cost of service and staff requirements will be understood by Council and administration. Future changes in operating costs, including personnel resourcing requirements, will be considered in long-term capital and financial planning. Ongoing operating activities will only be funded through taxes, fees and charges.

PARTNERSHIPS AND ENTERPRISE

The City will pragmatically partner with other entities to deliver community services and amenities. The City will explore access to new sources of capital and revenue streams. The City will leverage existing assets to attract private sector involvement. The City will leverage the expertise of outside partners. Services from partnerships will be reviewed regularly to ensure the needs of the City continue to be met. The City supports organizations within the community that enhance the quality of life.

PROPERTY TAXATION

Property taxes will remain as stable as possible over time. Property taxes will be comparative with similar communities. Increases to property taxes will be balanced among assessment classes. Property tax information will be transparent and easy to understand. Property taxes will reflect the infrastructure, services and service levels that the community believes are important.

RESERVES AND SURPLUS FUNDS

The purpose of each reserve will be documented and reviewed regularly. Ongoing operating requests will not be funded from reserves. Accumulated surplus will only be used as an emergency funding source.

USER FEES AND CHARGES

Everyone will pay a fair amount for the services they receive. Services will be reasonably accessible by all citizens. User fees will be transparent and easy to understand.

TOP 10 PRINCIPAL CORPORATE TAXPAYERS

2018

	Legal Name	Type of Property
1	Orchard Park Shopping Centre	Shopping Mall
2	FortisBC Inc	Electrical Utility
3	Delta Hotels No 48 Holdings Ltd	Hotel & Convention Centre
4	Inland Natural Gas Co Ltd	Gas Utility
5	McIntosh Properties Ltd	Shopping Mall
6	4231 Investments Ltd	Shopping Mall
7	Victor Projects Ltd	Shopping Mall
8	RG Properties Ltd	Shopping Mall
9	Dilworth Shopping Centre Ltd	Shopping Mall
10	Wal-Mart Canada Corp	Shopping Mall

2017

	Legal Name	Type of Property
1	Orchard Park Shopping Centre	Shopping Mall
2	FortisBC Inc	Electrical Utility
3	Delta Hotels No 48 Holdings Ltd	Hotel & Convention Centre
4	Inland Natural Gas Co Ltd	Gas Utility
5	McIntosh Properties Ltd	Shopping Mall
6	Victor Projects Ltd	Shopping Mall
7	4231 Investments Ltd	Shopping Mall
8	Dilworth Shopping Centre Ltd	Shopping Mall
9	RG Properties Ltd	Shopping Mall
10	Wal-Mart Canada Corp	Shopping Mall

▲ PERMISSIVE TAX EXEMPTIONS

Art Gallery, Museum, Heritage, Cultural Purpose

Central Okanagan Heritage Society	\$6,542
Centre Culturel Francais de l' Okanagan	\$3,077
City of Kelowna Library Society	\$92,162
German - Canadian Harmonie Club	\$4,444
Kelowna Art Gallery	\$70,572
Kelowna Canadian Italian Club	\$3,596
Kelowna Community Music Society	\$4,306
Kelowna Museums Society - Kelowna Centennial Museum	\$34,344
Kelowna Museums Society - Okanagan Military Museum	\$23,061
Kelowna Museums Society (Laurel Packing House)	\$28,078
Kelowna Visual and Performing Arts Centre Society	\$80,209
Okanagan Symphony Society	\$12,502
Roman Catholic Bishop of Nelson Pandosy Mission	\$2,055
Westbank First Nation	\$6

Athletic or Service Club

Central Okanagan Land Trust	\$6,755
Central Okanagan Small Boat Association	\$26,797
East Kelowna Community Hall Association	\$1,839
H2O Centre	\$217,663
Kelowna & District Fish & Game Club	\$4,455
Kelowna Badminton Club	\$7,918
Kelowna Cricket Club	\$451
Kelowna Curling Club	\$32,308
Kelowna Lawn Bowling Club	\$8,665
Kelowna Major Men's Fastball Association	\$18,142
Kelowna Minor Fastball Society	\$1,312
Kelowna Outrigger Racing Canoe Club Society	\$20,351
Kelowna Riding Club	\$4,355
Kelowna United Football Club	\$328
Kelowna Yacht Club	\$8,704
Nature Trust of BC	\$45,983
Okanagan Gymnastic Centre	\$13,506
Okanagan Mission Community Hall Association	\$5,172
Rutland Park Society	\$8,288
Scouts Canada	\$9,939

Charitable or Philanthropic

Adult Integrated Mental Health Services Society	\$1,882
BC Society for Prevention of Cruelty to Animals	\$11,043
BHF Building Healthy Families Society	\$1,922
Big Brothers Big Sisters of the Okanagan Society	\$3,414
Bridges to New Life Society	\$3,902
Canadian Mental Health Association	\$6,844
Central Okanagan Community Food Bank Society	\$32,277
Central Okanagan Emergency Shelter Society	\$4,347
Columbus Holding Society	\$3,683
Father Delestre Housing Society	\$3,797
Kalano Club of Kelowna	\$5,976
Kelowna & District S.H.A.R.E. Society	\$9,472
Kelowna & District Safety Council Society	\$2,513
Kelowna Centre for Positive Living Society	\$1,965
Kelowna Child Care Society	\$3,463
Kelowna Community Resources	\$20,226
Kelowna Gospel Mission Society	\$16,134
Kelowna Sr. Citizens' Society of BC	\$6,778
Kelowna Yoga House Society	\$7,274
Kelowna (#26) Royal Canadian Legion	\$2,524
KGH - Rutland Auxiliary Thrift Shop	\$8,348
Ki-Low-Na Friendship Society	\$15,628
MADAY Society for Seniors	\$3,075
National Society of Hope	\$4,830
New Opportunities for Women (NOW) Canada Society	\$2,750
Okanagan Boys & Girls Clubs	\$73,977
Okanagan Halfway House Society Inc	\$7,273
Okanagan Mental Health Services Society	\$1,695
Pathways Abilities Society	\$23,011
Reach Out Youth Counselling & Services Society	\$3,894
Resurrection Recovery Resource Society Inc.	\$7,923
Resurrection Recovery Resource Society Inc. d.b.a. Freedom's Door	\$1,781
Salvation Army Community Resource Centre	\$24,152
Society of St. Vincent De Paul of Central Okanagan	\$3,657
Starbright Children's Development Centre Assoc.	\$16,878
The Bridge Youth & Family Services Society	\$10,397
The Society of Housing Opportunities and Progressive Employment	\$1,795

Hospital Licensed Under Community Care Facility Act

Canadian Cancer Society	\$17,151
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Partnering

Capital News Centre	\$69,545
Prospera Place	\$208,821

Private Schools

Aberdeen Hall Preparatory School Society	\$31,211
Immaculata Regional High School	\$48,544
Kelowna Christian Centre School	\$9,193
Kelowna Christian School	\$5,200
Kelowna Society for Christian Education	\$10,125
Lutheran Church - Private School	\$8,371
Okanagan Montessori Elementary	\$6,984
Seventh Day Adventist Church (Private School)	\$31,839
St. Joseph Elementary School	\$14,598
Studio9 Independent School of the Arts (Private School)	\$3,753
Waldorf School	\$12,151

Public Worship

Assumption Of Blessed Virgin Mary's Parish	\$3,113
BC Assn of Seventh Day Adventist	\$1,444
C3 Church	\$2,486
Christ Evangelical Lutheran Church	\$3,746
Christian Science Society of Kelowna	\$3,149
Church of the Nazarene	\$2,688
Evangel Tabernacle Church	\$5,200
Evangelical Church	\$3,199
Faith Lutheran Church	\$4,020
First Baptist Church	\$4,481
First Lutheran Church of Kelowna	\$8,371
First Mennonite Church	\$3,243
First United Church	\$5,740
German Church of God Dominion of Canada	\$2,555
Glenmore Congregation of Jehovah's Witnesses	\$4,312
Grace Baptist Church	\$7,705
Gurdwara Guru Amardas Darbar Sikh Society	\$2,231
Immaculate Conception Parish	\$11,474
Kelowna Bible Chapel	\$4,553
Kelowna Buddhist Society	\$4,737

Kelowna Christian Centre Church (School)	\$9,193
Kelowna Christian Reformed Church	\$5,686
Kelowna Congregation of Jehovah's Witnesses	\$2,296
Kelowna Free Methodist Church	\$2,224
Kelowna Full Gospel Church	\$3,567
Kelowna Gospel Fellowship Church	\$4,769
Kelowna Tabernacle Congregation Church	\$1,071
Kelowna Trinity Baptist Church	\$24,278
Mennonite Brethren Churches (Willow Park Church)	\$7,421
Mission Creek Alliance Church	\$13,258
New Apostolic Church	\$2,135
New Life Vineyard Fellowship	\$23,285
Okanagan Buddhist Culture Centre	\$1,745
Okanagan Chinese Baptist Church	\$2,095
Okanagan Jewish Community Association	\$2,375
Okanagan Sikh Temple & Cultural Society	\$5,492
Providence Baptist Church	\$2,073
Rutland United Church	\$4,466
Salvation Army Community Church	\$8,224
Serbian Orthodox Par-Holy Proph St Ilija (Parish)	\$708
Seventh Day Adventist Church	\$14,871
Spring Valley Congregation of Jehovah's Witnesses	\$4,901
St. Aidan's Anglican Church	\$2,418
St. Andrew's Church	\$5,568
St. Charles Garnier Parish	\$1,741
St. David's Presbyterian Church	\$5,895
St. Mary's Anglican Church	\$778
St. Michaels Anglican Church	\$5,402
St. Peter & Paul Ukrainian Greek Orthodox Church	\$4,261
St. Pius X Parish	\$5,056
St. Theresa's Parish	\$3,648
The BC Muslim Association	\$1,859
The Church of Jesus Christ of Latter-Day Saints	\$6,226
The Congregation of Bethel Church	\$3,843
The Embassy Church	\$2,703
The Union of Slavic Churches of Evangelical Christians	\$1,102
Truth Now Tabernacle United Pentecostal Church	\$1,282
Unitarian Fellowship of Kelowna Society	\$1,472
Total Municipal Portion of Permissive Tax Exemption	\$1,933,705

▲ REVITALIZATION TAX EXEMPTIONS

Revitalization Tax Exemptions

Tax Incentive Area #1	269 Lawrence Ave	\$20,705
Tax Incentive Area #2	596 Leon Ave	\$4,728
	552 – 554 Leon Ave	\$24,061
Tax Incentive Area #4	110 Highway 33 W	\$38,419
Purpose-Built Rental Housing	598 Sutherland Ave	\$8,745
	1155 Brookside Ave	\$33,506
	1745 Chapman Pl	\$18,493
	678 Richter St	\$4,776
	1525 Dickson Ave	\$49,118
	2127 Ethel St	\$6,762
Total Revitalization Tax Exemptions		\$209,313

▲ HERITAGE BUILDING TAX EXEMPTIONS

Copeland House	784 Elliot Ave	\$3,946
Total Heritage Building Tax Exemptions		\$3,946
Total Value of Municipal Taxes Exempted		\$2,146,964

▲ REPORT FROM THE DIVISIONAL DIRECTOR, FINANCIAL SERVICES

June 7, 2019

MAYOR BASRAN AND MEMBERS OF COUNCIL,

I am pleased to present the City of Kelowna's 2018 Annual Financial Report for the year ended December 31, 2018. The purpose of this report is to publish the City of Kelowna's consolidated Financial Statements, Auditor's Report and to provide an update on City services and projects, pursuant to Sections 98 and 167 of the Community Charter.

Preparation of the Consolidated Financial Statements is the responsibility of City Council and City of Kelowna management. These statements are prepared by City staff in accordance with Canadian public sector accounting standards. Management is also responsible for implementing and maintaining a system of internal controls for the safeguarding of assets and to provide reasonable assurance that reliable information is produced.

External auditors, Grant Thornton LLP, conducted an independent examination in accordance with Canadian auditing standards to express their opinion on the Consolidated Financial Statements. The City's Audit Committee also reviewed the financial statements to ensure they are comprehensive, reliable and understandable. The City received a clear audit opinion.

The City's Council-adopted Principles & Strategies for Financial Strength & Stability continue to guide how the City will acquire and manage a portfolio of financial and physical assets that meets the current and future needs of our community. The City continues to monitor and report financial health indicators as part of the annual financial reporting to the Audit Committee and Council. The financial indicators show that the City is well positioned to meet current financial obligations and take on new opportunities without significant debt or tax increases.

The City ended the year with a \$114 million increase to accumulated surplus, which now sits at \$2.04 billion. Revenues increased over 2017 by \$78 million, mainly due to government grants and capital contributions from the Kelowna Water Integration, John Hindle Drive and Upper Vernon Creek projects.



Fees and charges increased due to integrating the South East Kelowna Irrigation District's (SEKID) water system with ours and the increased airport passenger and landfill volumes. Expenses increased over last year by \$14 million to \$287 million as a result of required flood recovery expenses and ongoing Kelowna Water Integration Project that includes the addition of SEKID operations.

The General Fund ended 2018 with a \$9.6 million unappropriated surplus from operations: \$8.8 million was put into reserves and \$0.8 million added to accumulated surplus. The accumulated surplus balance of \$3.4 million adheres to financial best practices and is to be used only for extraordinary events. For the 2018 year end this balance is 2.5 per cent of the 2018 taxation requirement.

Through strong financial management the City funds the delivery of services, programs and infrastructure that make Kelowna a great place to live. Nearly all residents (94 per cent) say they have a good quality of life and 87 percent are satisfied with the overall level and quality of services provided. We achieved this while also balancing the taxation demand: in 2018 taxation represented 26 per cent of the City's revenue.

In 2018 the City continued to balance the community's interest in maintaining levels and quality of services. We continued to plan for a safe, vibrant, and sustainable community with the implementation of Imagine Kelowna, focus on community safety, Healthy Housing Strategy, Journey Home Strategy and planning for the future through updates to the Official Community Plan and Transportation Master Plan. The City invested in new and existing infrastructure with the completion of John Hindle Drive to UBCO and the UBCO Pedestrian/Cyclist Overpass. Implementation of the City's long-term integrated water supply plan got underway with the South End Water Upgrade and SEKID Integration projects.

The City of Kelowna is well positioned to continue delivering quality services to its current and future residents, businesses and visitors in support of a community that is collaborative, responsible, connected and adapting smartly to rapid growth.

Respectfully submitted,



– Genelle Davidson, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the members of the Council of the City of Kelowna:

Opinion

We have audited the consolidated financial statements of the City of Kelowna ("the City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2018, and the results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountant

Kelowna, Canada
April 30, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018
(in thousands of dollars)

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 24,989	\$ 20,647
Accounts receivable (Note 3)	45,414	33,720
Accrued interest	1,585	1,425
Portfolio investments (Note 3)	495,817	417,264
Long term investments (Note 10)	6,000	6,000
Property held for resale	3,455	3,456
	577,260	482,512
Liabilities		
Accounts payable	50,922	43,946
Performance deposits	21,580	16,292
Deferred revenue (Note 3)	50,382	55,767
Deferred development cost charges (Note 3)	66,834	42,767
Long term debt (Note 3)	119,340	137,434
	309,058	296,206
Net Financial Assets	268,202	186,306
Non-Financial Assets		
Prepaid expenses	3,328	2,601
Inventory	1,484	1,218
Work in progress (Note 4)	35,373	23,096
Tangible capital assets (Note 4)	1,733,595	1,714,464
	1,773,780	1,741,379
Accumulated Surplus (Note 5)	\$ 2,041,982	\$ 1,927,685

Contingent liabilities and Commitments (Notes 8 and 9)



Genelle Davidson, CPA, CMA
Divisional Director, Financial Services



Colin Basran
Mayor, City of Kelowna

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2018
(in thousands of dollars)

	Budget 2018	Actual 2018	Actual 2017
Revenue			
Taxation (Note 6)	\$ 145,720	\$ 145,944	\$ 139,395
Fees and charges	122,147	152,536	125,623
Interest earned	4,111	12,821	10,325
DCC contributions	21,027	12,929	9,533
Government transfers (Note 7)	81,015	49,019	21,559
Other capital contributions	6,800	23,028	10,694
Gain on disposal of tangible capital assets	-	4,603	5,922
	<u>380,820</u>	<u>400,880</u>	<u>323,051</u>
Expenses			
General government	33,757	30,373	27,810
Protective services	61,636	60,946	58,909
Transportation	37,510	63,743	61,570
Recreation & cultural	37,250	44,642	42,858
Other services	22,346	24,138	21,905
Airport	15,385	23,004	20,698
Natural Gas Legacy	2,264	2,723	3,856
Wastewater	13,671	22,608	22,896
Water	7,819	13,458	11,212
Loss on disposal of tangible capital assets	-	462	336
Write down of tangible capital assets	-	486	440
	<u>231,638</u>	<u>286,583</u>	<u>272,490</u>
Annual Surplus	<u>\$ 149,182</u>	<u>114,297</u>	50,561
Accumulated Surplus, beginning of year		<u>1,927,685</u>	1,877,124
Accumulated Surplus, end of year		<u><u>\$ 2,041,982</u></u>	<u>\$ 1,927,685</u>

See accompanying notes to the consolidated financial statements.

For the Year Ended December 31, 2018
(in thousands of dollars)

	Budget 2018	Actual 2018	Actual 2017
Annual Surplus	\$ 149,182	\$ 114,297	\$ 50,561
Amortization of tangible capital assets	-	66,989	64,888
Proceeds from disposal of tangible capital assets	-	39,148	8,566
(Gain) loss on disposal of tangible capital assets	-	(4,141)	(5,586)
Write down of tangible capital assets	-	486	440
Acquisition of tangible capital assets	(197,659)	(114,637)	(84,395)
Contributions of tangible capital assets	-	(19,253)	(4,433)
Change in inventory and prepaid expenses	-	(993)	(439)
Increase (decrease) in Net Financial Assets	(48,477)	81,896	29,602
Net Financial Assets, beginning of year	186,306	186,306	156,704
Net Financial Assets, end of year	\$ 137,829	\$ 268,202	\$ 186,306

See accompanying notes to the consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

(in thousands of dollars)

	Actual 2018	Actual 2017
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 114,297	\$ 50,561
Adjustment for non-cash items		
Amortization of tangible capital assets	66,989	64,888
(Gain) loss on disposal of tangible capital assets	(4,141)	(5,586)
Write down of tangible capital assets	486	440
Actuarial adjustment on long term debt	(6,545)	(5,711)
Contributions of tangible capital assets	(19,253)	(4,433)
Termination of debt	(2,132)	-
Decrease (increase) in		
Accounts receivable	(11,694)	(3,441)
Inventory and prepaid expenses	(993)	(439)
Other assets	(160)	(92)
Increase (decrease) in		
Accounts payable	6,979	(2,633)
Deferred development cost charges	24,067	17,392
Other liabilities	(98)	21,595
	167,802	132,541
Capital		
Acquisition of tangible capital assets	(114,637)	(84,395)
Proceeds from disposal of tangible capital assets	39,148	8,566
	(75,489)	(75,829)
Investing		
Change in investments	(78,553)	(50,757)
Financing		
Proceeds from issuance of long term debt	8,485	11,000
Repayment of long term debt	(17,903)	(14,269)
	(9,418)	(3,269)
Net increase in cash and cash equivalents	4,342	2,686
Cash and cash equivalents, beginning of year	20,647	17,961
Cash and cash equivalents, end of year	\$ 24,989	\$ 20,647
Non-cash capital activities		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 19,253	\$ 4,433

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

(all tabular amounts reported in 000's of dollars)

The notes to the consolidated financial statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the consolidated financial statements.

The consolidated financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards (PSAS). The preparation of these consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The City of Kelowna's resources and operations are segregated into General, Airport, Wastewater Utility, Water Utility, Natural Gas Legacy, Development Cost Charges and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material interfund transactions and balances have been eliminated within the consolidated financial statements.

The Natural Gas Legacy Fund was created from an agreement with FortisBC for a 35 year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease, expiring in 2018, whereby the City leased back to FortisBC the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund. On October 31, 2018 Fortis exercised their right to terminate the Capital and Operating Lease by delivery of written notice to the City. The Termination Payment has been calculated in accordance with the Capital Lease and the Additions Lease and as a result the City releases and discharges any interest it may have in or related to the Gas Distribution Assets and Additions and has closed out the Natural Gas Legacy Fund. The City has signed an operating agreement with FortisBC Energy Inc. to receive an operating fee based on a percentage of gross revenues.

South East Kelowna Irrigation District ("SEKID"): On June 5, 2018 (the "transfer date"), the City commenced ownership and operations of the SEKID Water Operations. As of the transfer date, SEKID was dissolved by an Order of the Lieutenant Governor in Council. The Order in Council set out that all rights, property and assets of SEKID were to be transferred to and vested in the City of Kelowna. The City assumed the obligations of SEKID and any reference to SEKID in any commercial paper, lease, permit or other contract or instrument or document that is transferred is deemed to be a reference to the City of Kelowna. Financial assets in the amount of \$10,539,511, liabilities in the amount of \$791,465 and non-financial assets in the amount of \$11,692,245 were transferred to the City on June 5, 2018 and have been integrated into the Water Fund.

Accrual accounting

The accrual method for reporting revenues and expenses has been used.

Property held for resale

Property held for sale are those expected to be sold within one year. They are valued at the lower of cost or expected net realizable value. Cost includes amounts for improvements to prepare the property for sale.

Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

Municipal Finance Authority cash deposits and demand notes

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature. The Debt Reserve and Demand Note balances are as follows:

	2018	2017
Cash deposits held by MFA	\$ 2,401	\$ 3,566
Demand notes held by MFA	6,731	9,658
	<u>\$ 9,132</u>	<u>\$ 13,224</u>

Municipal pension plan

The City of Kelowna's pension plan follows the guidelines of the Municipal Pension Plan which is administered by the Province of British Columbia for all British Columbia municipalities. The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi- employer defined benefit pension plan.

Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

Tangible capital assets

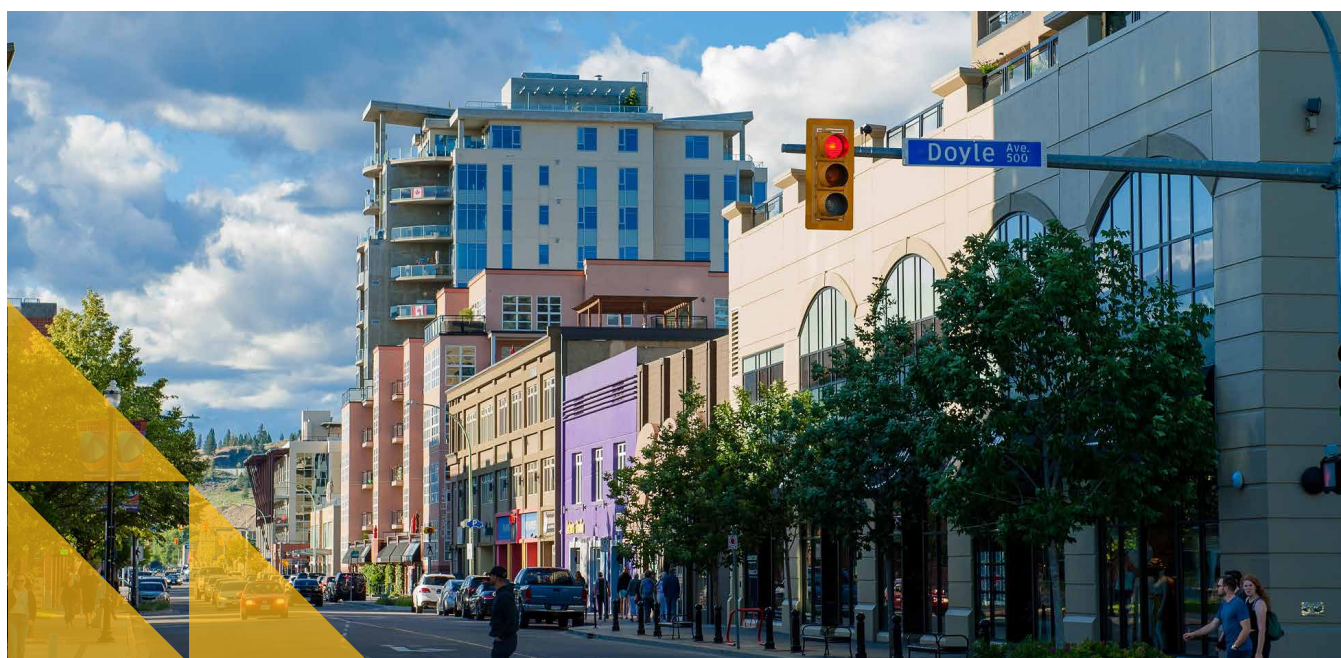
The City records tangible capital assets, including assets held as work in progress or capital lease, at cost in the period they were acquired or when the asset is put into use.

All tangible capital assets are valued at cost which includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset.

Assets owned by the City but not paid for by the City including contributions, dedications, gifts and donations, are valued at fair value at the date of contribution, dedication, gift or donation, where fair value is reasonably determinable.

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value.



Amortization

The cost less residual value of the tangible capital assets is amortized on a straight-line basis over the useful lives of the asset as follows:

Asset Type	Useful Life (years)	Asset Type	Useful Life (years)
Parks infrastructure		Vehicles	
Playground equipment	15 - 20	Cars and light trucks	5 - 10
Artificial turf field	10 - 12	Fire trucks	15 - 20
Washrooms, concessions, picnic shelters	40 - 50	IT infrastructure	
Outdoor pools, spray pools	50 - 60	Hardware	4 - 5
Building structure	40 - 75	Software	5 - 10
Building improvements		Telephone system	7 - 10
Exterior envelope	30 - 40	Infrastructure	
HVAC systems	10 - 12	(dependent upon component and material)	
Roof	15 - 20	Electrical	20 - 25
Electrical, plumbing and fire	15 - 20	Water	10 - 100
Site works - asphalt, water and sewer lines, etc	10 - 100	Wastewater	10 - 100
Machinery & equipment		Drainage	10 - 100
General equipment	7 - 10	Transportation	10 - 100
Grounds equipment and machinery	10 - 15		
Heavy construction equipment	5 - 10		

Land and Work in Progress are not amortized.

Intangible assets

Intangible assets include works of art and historic assets located throughout the City. They are not reflected in these consolidated financial statements.

Interest capitalization

The City of Kelowna only capitalizes interest on projects being financed internally which will require debenture borrowing upon completion. Interest is calculated on monthly expenditures at the bank prime rate less 2%.

Reserves for future expenditures

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures include funds to finance incomplete projects and accumulations for specific purposes.



Statutory reserve funds

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and portfolio investments.

Revenue recognition

Taxation revenue

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the BC Assessment appeal process taxes may be adjusted by way of supplementary roll adjustments. The effect of these adjustments on taxes are recognized at the time they are awarded.

Fees and charges revenue

Charges for transportation, environmental health, building permits, water, wastewater, natural gas and airport are included in this category. These revenues are recorded on the accrual basis and recognized as earned which is usually when services are provided or facilities are utilized.

DCC contributions

DCCs are recognized as revenue during the period in which the related costs are incurred.

Government transfers

Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, has been met by the City, and a reasonable estimate of the amount to be received can be made.

Investment income

The City's investments are disclosed in Note 3.

Investment income is recorded on the accrual basis and recognized when earned.

A portion of the City's investments are invested in pooled funds of the Municipal Finance Authority of British Columbia. Earnings on these funds are allocated to the members from time to time based on the market value of the pool. The City recognizes only its share of the realized earnings of the pool. This revenue is recorded as investment income and the amount is added to the cost base of the investment.

To the extent that investments have no stated rate of return, investment income is recognized as it is received.

Expenses

Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.



Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible; or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

There are no liabilities to be recorded as at December 31, 2018 and 2017.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Actual results could differ from the estimates. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets estimated useful life and related amortization, allowance for doubtful accounts, landfill post closure costs and settlement costs associated with outstanding legal actions.

2. FUTURE ACCOUNTING CHANGES

PS 3041 – Portfolio investments

This section revises and replaces the existing Section PS 3040 *Portfolio investments*. This section applies to fiscal years beginning on or after April 1, 2021, with early adoption permitted.

PS 3280 Asset retirement obligations

This section revises and replaces the existing Section PS 3270 *Solid waste landfill closure and post-closure liability*. This section applies to fiscal years beginning on or after April 1, 2021, with early adoption permitted.

PS 3400 Revenues

This section establishes standards on how to account for and report on revenue. This section applies to fiscal years beginning on or after April 1, 2022, with early adoption permitted.

PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2021, with early adoption permitted.

3. FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with maturities of 90 days or less from the date of acquisition.

Accounts receivable

Accounts receivable are recorded net of allowance and are comprised of the following:

Type of receivable

	2018	2017
Property tax	\$ 4,279	\$ 4,257
Trade receivables	17,169	12,981
Due from government	5,748	3,016
Due from provincial government	4,373	3,990
Due from regional government	64	4
Utilities	3,996	3,953
Deferred development cost charges	9,785	5,519
	\$ 45,414	\$ 33,720

Portfolio investments

Portfolio investments are recorded at cost and are comprised of the following:

Type of investment

	2018	2017
Municipal Finance Authority bond / Intermediate Funds	\$ 106,139	\$ 103,646
Provincial and bank issued bonds	95,030	98,446
Publicly traded shares	62,748	60,654
Guaranteed Investment Certificates and deposit notes	231,900	154,518
Total Portfolio investments	\$ 495,817	\$ 417,264

The quoted market value of the publicly traded shares at December 31, 2018 was \$85.91 million (2017 - \$85.09 million).

Operating line of credit

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5.0 million, bearing interest at bank prime rate. At December 31, 2018 the balance outstanding was \$nil (2017 - \$nil).



Deferred revenue

The City records deferred revenue for funds received in advance on services not yet rendered and is recognized into revenue during the period in which the service is provided. The City also records deferred revenue when a contract specifies how the resources are to be used and therefore funds received in advance are deferred until the period in which the requirements are met. Because these funds are restricted in nature they are shown as a liability.

Deferred Revenue by Type	2017	Receipts	Interest	Transfers Out	2018
Tax prepayments	\$ 18,919	\$ 19,784	\$ 55	\$ 18,919	\$ 19,839
Construction	11,890	1,965	138	1,092	12,901
Grants	14,448	586	194	6,718	8,510
Other	6,366	7,735	29	9,311	4,819
Local Area Service	4,144	1,709	-	1,540	4,313
Total	\$ 55,767	\$ 31,779	\$ 416	\$ 37,580	\$ 50,382

Deferred development cost charges (DCC)

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. Because these funds are externally restricted in nature they are shown as a liability.

	2017	Receipts	Interest	Transfers Out	2018
Parks	\$ 10,300	\$ 10,864	\$ 275	\$ 3,161	\$ 18,278
Roads	30,038	15,826	782	3,596	43,050
Water	12,094	1,268	289	222	13,429
Wastewater	(9,665)	7,939	(247)	5,950	(7,923)
Total Deferred DCC	\$ 42,767	\$ 35,897	\$ 1,099	\$ 12,929	\$ 66,834

Long term debt

Sinking fund installments and mortgage payments on net outstanding debt and loans payable over the next five years and thereafter are as follows:

	Total
2019	\$ 16,677
2020	12,291
2021	10,286
2022	9,647
2023	8,403
2024 and thereafter	62,036
Total	\$ 119,340

Total debt issued was \$283.9 million and total debt payable at December 31, 2018 was \$119.3 million (2017 - \$137.4 million). Schedule 3 provides a breakdown of long term debt.

4. TANGIBLE CAPITAL ASSETS (TCA) AND WORK IN PROGRESS

	2018 Work in progress	2018 Tangible capital assets (NBV)	2017 Work in progress	2017 Tangible capital assets (NBV)
Land	\$ -	\$ 303,532	\$ -	\$ 280,235
Land improvements	327	37,168	910	32,135
Buildings	2,762	194,848	2,935	197,056
Infrastructure	31,013	1,121,799	16,362	1,104,034
Machinery and equipment	1,271	76,248	2,889	71,405
Natural gas system (capital lease)	-	-	-	29,599
	\$ 35,373	\$ 1,733,595	\$ 23,096	\$ 1,714,464

Contributions received in 2018 include:

Type of contribution

	2018	2017
Land	\$ 2,326	\$ 4,433
Land improvements	122	-
Buildings	126	-
Infrastructure	16,420	-
Machinery and equipment	259	-
Total Contributed tangible capital assets	\$ 19,253	\$ 4,433

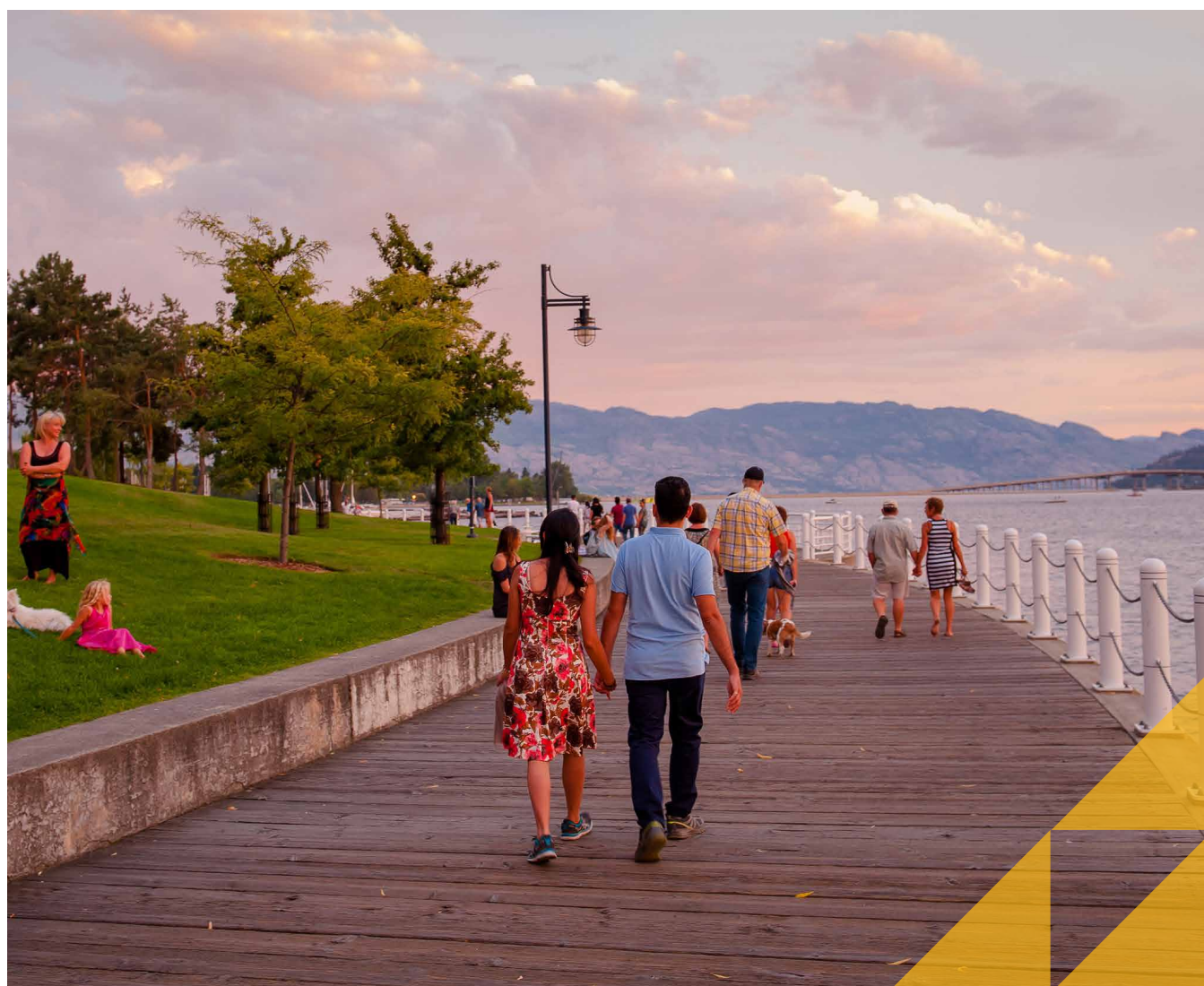
Schedule 1 provides a break down of tangible capital assets and work in progress.

During the year, tangible capital assets with a cost of \$486,223 were written off due to impairment.



5. ACCUMULATED SURPLUS

	Reserves for Future Expenditures	Equity in FortisBC Inc.	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2018	Total 2017
Accumulated surplus, beginning of year	\$ 139,188	\$ 60,692	\$ 70,978	\$ 53,726	\$ 1,603,101	\$ 1,927,685	\$ 1,877,124
Annual surplus (deficit)	4,887	-	2,076	119,173	(11,839)	114,297	50,561
Transfers	138,390	(60,692)	10,642	(88,340)	-	-	-
Acquisition of tangible capital assets	(28,725)	-	-	(15,530)	44,255	-	-
Repayment of long term debt	-	-	-	(14,861)	14,861	-	-
Accumulated surplus, end of year	\$ 253,740	\$ -	\$ 83,696	\$ 54,168	\$ 1,650,378	\$ 2,041,982	\$ 1,927,685



Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Annual Surplus	Balances, End of Year
Non-Statutory Reserves					
General Fund reserve	\$ 80,309	\$ 20,115	\$ 123,522	\$ 4,043	\$ 187,759
Airport Fund reserve	27,420	23,963	21,810	466	25,733
Waste Water Fund reserve	13,033	7,582	6,651	52	12,154
Water Fund reserve	18,426	5,302	14,644	326	28,094
	139,188	56,962	166,627	4,887	253,740
Statutory Reserves					
Parking reserve	2,443	1,575	5,236	77	6,181
Land reserve	12,273	9,234	11,350	383	14,772
Capital works, machinery and equipment reserve	56,262	16,005	20,870	1,616	62,743
	70,978	26,814	37,456	2,076	83,696
Surplus by Fund					
General Fund surplus	4,651	140,621	74,256	66,172	4,458
Airport Fund surplus	596	23,886	5,009	19,756	1,475
Waste Water Fund surplus	30,522	16,748	8,916	12,458	35,148
Water Fund surplus	13,483	16,446	(63)	16,113	13,087
Natural Gas Legacy surplus	4,474	9,148	-	4,674	-
Accumulated Surplus	53,726	206,849	88,118	119,173	54,168
Equity Investment					
Equity in FortisBC Inc.	60,692	60,692	-	-	-
Investment in Non Financial Assets					
Investment in tangible capital assets	1,603,101	3,022	62,138	(11,839)	1,650,378
Accumulated Surplus	\$ 1,927,685	\$ 354,339	\$ 354,339	\$ 114,297	\$ 2,041,982



6. TAXATION

Taxation revenue comprises the following amounts raised less transfers to other governments:

	2018	2017
Taxes collected		
Property taxes	\$ 229,253	\$ 219,875
Local improvement levies	158	156
Frontage tax - water	1,483	1,457
Specified sewer area recoveries	1,398	1,398
Grants in lieu of taxes	570	514
Levies	7,316	7,010
	240,178	230,410
Less transfers to other governments		
Province of BC (school taxes)	68,641	66,049
BC Assessment Authority	1,981	1,854
Regional Hospital District	11,691	11,507
Regional District of Central Okanagan	11,921	11,605
	94,234	91,015
Net taxes available for municipal purposes	\$ 145,944	\$ 139,395



7. GOVERNMENT TRANSFERS

Government transfers are the major source of transfers to the City. Government transfers received are for completed projects that meet the required criteria as set out by the Government body providing the funding. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. During the year \$7.9 million remained as deferred revenue for future capital expenditures. In 2018 the City received and recorded as revenue the following transfers:

	2018	2017
Operating transfers		
Federal	\$ 173	\$ 148
Provincial	19,637	17,585
Other governments	212	187
	<u>20,022</u>	<u>17,920</u>
Capital transfers		
Federal	12,328	2,695
Provincial	16,639	944
Other governments	30	-
	<u>28,997</u>	<u>3,639</u>
Total Government transfers	<u>\$ 49,019</u>	<u>\$ 21,559</u>



8. CONTINGENT LIABILITIES

Regional District of Central Okanagan

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the District and each member municipality within the District including the City of Kelowna.

The loan agreements with the Regional District of Central Okanagan and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes a liability of the member municipalities.

Pension liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Kelowna paid \$7.2 million (2017 - \$6.9 million) for employer contributions while employees contributed \$5.9 million (2017 - \$5.5 million) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

Post employment benefits

The City of Kelowna does not accrue expenses for post employment benefits such as retirement allowances or compensated absences (sick leave). City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The City recognizes the expense for sick time when the event obligates the City to pay.

Legal actions

The City of Kelowna is currently engaged in certain legal actions, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions.

The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized. The City of Kelowna has insurance policies and financial reserves to offset associated risks.

9. COMMITMENTS

Agreements, contracts and purchase orders

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

The City has purchase orders open as at December 31, 2018 which have not been recorded in the accounts. The balance of these open purchase orders are not determinable at this time. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the accounts in the period the goods and services, to which they relate, are received.

Landfill closure and post closure costs

As required by PSAS and regulated by the Ministry of Water, Land and Air Protection, the City has agreed to obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. As currently engineered, and based on current waste disposal patterns, the landfill has a remaining life expectancy of 90 years. The estimated length of time needed for post-closure is 80 years.

The present value of future cash flows for the expected landfill closure and post-closure care costs is estimated to be \$30.7 million based on a Design, Operations and Closure Plan (DOCP) completed in 2018.

The City's liability for these landfill closure and post-closure care cost expenditures is recognized as the landfill site's capacity is used. The reported liability of \$4.0 million (2017 - \$3.8 million) represents the portion of the estimated total expenditure recognized as at December 31, 2018. The remaining capacity of the landfill site is estimated at 27.7 million tonnes which is 92% of the site's total capacity.

The liability and annual expenditure is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities using an inflation rate of 0.96% and discount rate of 2.25%.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. Future events may result in significant changes to the estimated remaining useful life, estimated total costs, total or used capacity and the estimated liability. These would be recognized prospectively as a change in estimate when applicable.

YMCA of Okanagan Association loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA of Okanagan Association, guaranteed repayment in the event that the YMCA of Okanagan Association defaults on a \$1.8 million, 20-year loan issued in 2001. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA of Okanagan Association. During 2010 an amendment was made to the agreement for additional financing of \$700,000 for a 20-year term. As at December 31, 2018, the outstanding loan balance was \$765,079 (2017 - \$879,437). The City does not expect to make any payments on the guarantee and no amounts have been accrued in the financial statements.

Multi-Purpose Facility Public/Private Partnership

The City has, under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd., purchased \$6.0 million of preferred shares in RG Arenas (Kelowna) Ltd. at a cost of \$1 per share. The terms and conditions of the purchase are subject to the terms of a Tripartite Agreement between the City of Kelowna, Royal Bank of Canada and RG Arenas (Kelowna) Ltd., RG Properties Ltd., Prospero Canadian Land Investment Fund Ltd. group of companies.

The City has, under the terms of the above noted Tripartite Agreement, committed to the annual purchase of community use time at the Multi-Purpose facility, commencing with substantial completion, on November 10, 1999 under the following terms:

- (i) \$1.3 million per annum for Years 1 to 3 comprised of a payment of \$1.1 million, which for Years 2 and 3 is subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, plus an annual payment of \$150,000 without any adjustment for CPI;
- (ii) \$1.2 million per annum for Years 4 to 7, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum;
- (iii) \$1.2 million per annum for Years 8 to 10, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, minus \$150,000 per annum;

- (iv) \$1.0 million per annum for Years 11 to 20, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum; and
- (v) \$0.5 million per annum for Years 21 to 30, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum.

The year 2018 represented year 19 of the agreement.

Should the City not exercise, in its sole discretion, its option to renew any future term for community use time in the Multi- Purpose facility, under the above terms it shall be required to make a lump sum payment to RG Arenas (Kelowna) Ltd. on or before the 15th day of one of year 6, 11, 16, 21 or 26 commencing with the year of substantial completion in the following amounts:

2005	Year 6	\$13.2 million
2010	Year 11	\$11.9 million
2015	Year 16	\$10.4 million
2020	Year 21	\$6.7 million
2025	Year 26	\$4.5 million

Upon such payment, no further amounts will be payable to RG Arenas (Kelowna) Ltd. and the City will have the right to the community use time for the period from the beginning of the year in which the payment was made until November 9, 2029 without any additional payment.

The City did exercise its option to renew the purchase of community use time under the above annual payments terms and accordingly did not make any of the lump sum payment of \$13.2 or \$11.9 or \$10.4 million otherwise due to RG Arenas (Kelowna) Ltd. in years 6 or 11 or 16.

Royal Canadian Mounted Police Services

The Province of British Columbia and the Federal Government have an agreement with the Royal Canadian Mounted Police to provide police services for various municipalities in the Province, including the City of Kelowna. This agreement has a 20 year term expiring on March 31, 2032.

10. LONG TERM INVESTMENTS

Kelowna Developments Ltd.

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2. The company is inactive with no assets or liabilities and is being retained for potential future use.

RG Arenas (Kelowna) Ltd.

The investment in preferred shares in RG Arenas (Kelowna) Ltd. is carried at its cost of \$6.0 million. The shares were purchased under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd. and are to be retained until 2029 per the terms of that agreement described in Note 9.

11. LETTERS OF CREDIT

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$45.0 million (2017 - \$36.4 million) which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the financial statements but are available to satisfy any liabilities arising from non-performance by the depositors. Included in the \$45.0 million, the City is holding irrevocable Letters of Credit in the amount of \$7.9 million (2017 - \$5.7 million) which are received from developers to ensure payment of development cost charges in future years.

12. CAPITAL LEASE PAYABLE

The City had entered into an agreement with FortisBC Energy Inc. ("FortisBC") that resulted in the creation of the Natural Gas Legacy Fund. The agreement with FortisBC was for a 35 year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease, expiring in 2018, whereby the City leased back to FortisBC the operations of the gas distribution system.

On October 31, 2018 Fortis exercised their right to terminate the Capital and Operating Lease by delivery of written notice to the City. The Termination Payment has been calculated in accordance with the Capital Lease and the Additions Lease and as a result the City releases and discharges any interest it may have in or related to the Gas Distribution Assets and Additions. These interests include: the Lease In Lease Out ("LILO") Agreements and any right or interest of the City under the LILO Agreements, the unexpired Term of the LILO Agreements, and any right of the City to or related to the Gas Distribution Assets and the Additions pursuant to the LILO Agreements and City Security, with the intent that all of these rights will merge into the reversion of the LILO Agreements and be forever extinguished. As part of the termination of the Capital Lease obligation \$2.2 million of debt payments set up from Oct 2018 to 2036 were removed from the City's financial records. The City has signed an operating agreement with FortisBC Energy Inc. to receive an operating fee based on a percentage of gross revenues.

13. TRUST FUNDS

In accordance with PSAS, trust funds are not included in the City's consolidated financial statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2018 the Trust Fund balance is \$2.9 million (2017 - \$2.8 million).



14. SEGMENTED INFORMATION

The City of Kelowna is connecting communities and providing a multitude of services to the citizens of Kelowna. The City's operations and activities are organized and reported by funds and departments. The General Fund reports on operations, funded primarily by property taxes, which include services provided by the City such as general government, protective services, transportation services, recreation and cultural services, as well as public health, and environmental and development services. The City also operates its own airport and City utilities comprised of the wastewater and water systems that are self-sustaining operations. Operating results reported by the following segments are included in Schedule 2.

General government

General Government operations are primarily funded by property taxation and business tax revenues. The expenses within the department are for executive and legislative costs, general administration, and other general government areas such as community service grants and rental property operating costs within the municipality. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and senior government payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the General Fund.

Protective services

Protective services are comprised of police services provided by the Royal Canadian Mounted Police, fire protection services, building inspection services and bylaw enforcement.

Police services include administration, crime investigation and prevention, traffic, prisoner custody and court liaison expenses.

The fire department is responsible for effective fire protection and public safety services to the City. This includes fire suppression and rescue, prevention and investigation, specialty rescue/first medical responses and fire safety inspections.

Transportation services

Transportation services are responsible for the delivery of municipal public works services related to the planning, development and maintenance of streets and roads, bridges, drainage systems, street lights, traffic lights and signals, parking lots and on-street parking, and public transit as well as maintenance of workshops, yards and other buildings. The mandate is to provide a safe, efficient, environmentally-sensitive and cost-effective transportation network.

Recreation and cultural services

Recreation and cultural services provide services related to recreation, leisure and culture including administration and program costs as well as grounds and building maintenance. Facilities managed within this area include parks and playgrounds, arenas, swimming pools, beaches, boat launches, stadiums as well as community and seniors centers. The H2O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Library, Kelowna Art Gallery and the Rotary Centre for the Arts are some of the larger facilities included.

Other services (Public Health/Environmental/Development services)

Public health services are comprised of cemetery operations and maintenance, environmental and development services including community planning and zoning as well as landfill operations.

Airport services

The Airport, owned and operated by the City of Kelowna, provides quality airport services in a safe and cost effective manner in compliance with Federal regulations. The Airport is accounted for in its own fund.

Wastewater services

Kelowna's sanitary sewer system collects, conveys, treats and disposes of domestic wastewater (derived from the home) and industrial wastewater (resulting from business use, manufacturing and processing). The system currently services approximately 70% of Kelowna's population and continues to be extended to unserved areas. Kelowna's wastewater system has a treatment capacity of 72 million litres per day. Wastewater Utility is accounted for in its own fund.

Water services

The Water Utility is responsible for planning, designing, building, operating and maintaining the City's Water Utility and is one of four water suppliers operating within Kelowna's boundaries. During the current year, the operations and assets of SEKID were transferred to the City of Kelowna to the water fund. The Water Utility is accounted for in its own fund.

Natural Gas legacy services

Natural Gas Legacy Fund was created from an agreement with FortisBC for a 35 year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease, expiring in 2018, whereby the City leased back to FortisBC the operations of the gas distribution system. The Natural Gas Legacy Fund was accounted for in its own fund. As at October 31, 2018 Fortis terminated this agreement and the City has closed out this fund and excess reserve funds were transferred to the General Fund.

Statutory reserves

Statutory Reserves include funds for parking, land and capital works, machinery and equipment.

15. EXPENSES BY OBJECT

Total consolidated expenses by object are itemized in Schedule 2 – Segmented information.

16. BUDGET DATA

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15th of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law. Amortization of tangible capital assets was not included in the budget. The table below shows the reconciliation between the approved budget and the budget presented in these consolidated financial statements.

	<u>Budget Amount</u>
Revenues:	
Operating budget	\$ 297,758
Capital budget	83,062
	<u>380,820</u>
Expenses:	
Operating budget	231,638
Capital budget	197,659
	<u>429,297</u>
Annual deficit per approved budget	(48,477)
Add: tangible capital asset purchases	197,659
Annual surplus per statement of operations	<u>\$ 149,182</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation format adopted in the current year.

SCHEDULE 1 – TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2018 (in thousands of dollars)

MACHINERY & EQUIPMENT

	Land	Land Improvements	Buildings	Vehicles	Machinery & Equipment
Cost					
Balance, beginning of year	\$ 280,235	\$ 68,311	\$ 342,908	\$ 31,410	\$ 92,102
Add: additions during the year	29,063	744	1,576	2,301	5,421
Add: transfers to tangible capital assets	2	7,031	5,708	-	1,540
Less: capital held for resale	1	-	324	-	-
Less: disposals during the year	(5,769)	(246)	(393)	(1,344)	(560)
Balance, end of year	303,532	75,840	350,123	32,367	98,503
Accumulated Amortization					
Balance, beginning of year	-	36,175	145,852	19,267	38,507
Add: amortization	-	2,497	9,491	1,939	4,510
Less: accumulated amortization on disposals	-	-	(393)	(1,114)	(560)
Less: amortization on buildings held for resale	-	-	325	-	-
Balance, end of year	-	38,672	155,275	20,092	42,457
Net Book Value of Tangible Capital Assets	\$ 303,532	\$ 37,168	\$ 194,848	\$ 12,275	\$ 56,046

INFRASTRUCTURE

	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure
Cost					
Balance, beginning of year	\$ 199,494	\$ 530,065	\$ 33,872	\$ 1,074,183	\$ 61,095
Add: additions during the year	693	6,562	244	12,656	900
Add: transfers to tangible capital assets	6,187	17,242	-	7,313	12,562
Less: capital held for resale	-	-	-	-	-
Less: disposals during the year	-	(31)	-	(139)	-
Balance, end of year	206,374	553,838	34,116	1,094,013	74,557
Accumulated Amortization					
Balance, beginning of year	75,091	292,186	8,633	390,675	28,090
Add: amortization	7,070	20,096	518	16,235	2,505
Less: accumulated amortization on disposals	-	-	-	-	-
Less: amortization on buildings held for resale	-	-	-	-	-
Balance, end of year	82,161	312,282	9,151	406,910	30,595
Net Book Value of Tangible Capital Assets	\$ 124,213	\$ 241,556	\$ 24,965	\$ 687,103	\$ 43,962

Computers	Subtotal Machinery & Equipment	Natural Gas Capital Lease
\$ 13,172	\$ 136,684	\$ 55,609
905	8,627	-
2,957	4,497	-
-	-	-
(273)	(2,177)	(55,609)
16,761	147,631	-
7,506	65,280	26,010
1,328	7,777	800
-	(1,674)	(26,810)
-	-	-
8,834	71,383	-
\$ 7,927	\$ 76,248	\$ -

Subtotal Infrastructure	Work in Progress	Total 2018	Total 2017
\$ 1,898,709	\$ 23,096	\$ 2,805,552	\$ 2,721,921
21,055	72,819	133,884	88,750
43,304	(60,542)	-	-
-	-	325	78
(170)	-	(64,364)	(5,197)
1,962,898	35,373	2,875,397	2,805,552
794,675	-	1,067,992	1,004,881
46,424	-	66,989	64,888
-	-	(28,877)	(1,777)
-	-	325	-
841,099	-	1,106,429	1,067,992
\$ 1,121,799	\$ 35,373	\$ 1,768,968	\$ 1,737,560



SCHEDULE 2 – SEGMENTED INFORMATION

For the Year Ended December 31, 2018 (in thousands of dollars)

	General Government	Protective Services	Transportation	Recreation & Cultural	Other Services
Revenue					
Taxation	\$ 142,879	\$ -	\$ 158	\$ -	\$ -
Fees and charges	15,175	10,443	16,534	5,641	25,444
Interest earned	8,461	-	-	-	-
DCC contributions	-	-	1,253	5,504	-
Government transfers	3,147	4,185	19,364	3,437	2,952
Other capital contributions	3,835	-	-	-	-
Gain on disposal of tangible capital assets	4,268	9	-	-	-
	177,765	14,637	37,309	14,582	28,396
Expenses					
Salaries and benefits	17,676	28,172	8,362	11,400	7,607
Contract and professional services	5,602	3,563	26,118	8,488	8,175
RCMP Contract	-	28,485	-	-	-
Materials and supplies	5,881	2,033	5,697	11,296	1,641
Equipment	698	633	2,656	1,645	2,888
Allocations	(4,815)	(56)	(98)	(172)	(208)
Cost recoveries	(1,303)	(4,274)	(8,817)	(361)	(1,534)
Grants and external transfers	8	142	5	1,673	3,437
Utilities	176	362	1,770	2,111	319
Loss on disposal of tangible capital assets	236	215	11	-	-
Write down of tangible capital assets	307	-	89	9	-
Amortization of tangible capital assets	3,295	1,888	28,050	8,562	1,813
Total before Debt	27,761	61,163	63,843	44,651	24,138
Debt interest and fiscal services	3,152	-	-	-	-
Total operating expenses	30,913	61,163	63,843	44,651	24,138
Annual Surplus (Deficit)	\$ 146,852	\$ (46,526)	\$ (26,534)	\$ (30,069)	\$ 4,258

Airport	Wastewater	Water	Natural Gas Legacy	Library	Statutory Reserves	2018
\$ -	\$ 1,398	\$ 1,509	\$ -	\$ -	\$ -	\$ 145,944
35,173	17,216	23,452	3,246	-	212	152,536
544	788	660	504	-	1,864	12,821
-	5,950	222	-	-	-	12,929
1,035	272	14,627	-	-	-	49,019
788	1,673	13,411	3,321	-	-	23,028
-	-	-	326	-	-	4,603
37,540	27,297	53,881	7,397	-	2,076	400,880
4,388	3,363	2,891	-	-	-	83,859
1,546	611	2,485	-	-	-	56,588
-	-	-	-	-	-	28,485
7,326	1,151	1,137	-	-	-	36,162
19	680	492	-	-	-	9,711
1,591	2,972	845	20	-	-	79
(660)	(287)	(557)	-	-	-	(17,793)
-	-	-	-	-	-	5,265
768	1,161	986	-	-	-	7,653
-	-	-	-	-	-	462
-	-	81	-	-	-	486
7,210	10,645	4,726	800	-	-	66,989
22,188	20,296	13,086	820	-	-	277,946
816	2,313	453	1,903	-	-	8,637
23,004	22,609	13,539	2,723	-	-	286,583
\$ 14,536	\$ 4,688	\$ 40,342	\$ 4,674	\$ -	\$ 2,076	\$ 114,297

SCHEDULE 2 — SEGMENTED INFORMATION

For the Year Ended December 31, 2017 (in thousands of dollars)

	General Government	Protective Services	Transportation	Recreation & Cultural	Other Services
Revenue					
Taxation	\$ 136,357	\$ -	\$ 156	\$ -	\$ -
Fees and charges	12,323	8,738	13,592	5,519	20,659
Interest earned	7,199	-	-	-	-
DCC contributions	-	-	3,497	526	-
Government transfers	1,727	4,192	9,294	284	2,520
Other capital contributions	5,697	-	-	-	-
Gain on disposal of tangible capital assets	5,922	-	-	-	-
	169,225	12,930	26,539	6,329	23,179
Expenses					
Salaries and benefits	16,980	27,135	8,214	11,037	6,973
Contract and professional services	4,226	2,293	24,269	7,726	7,467
RCMP Contract	-	28,553	-	-	-
Materials and supplies	5,587	1,984	5,077	10,818	1,398
Equipment	511	713	2,825	1,565	2,206
Allocations	(5,287)	(51)	(113)	(172)	115
Cost recoveries	(961)	(3,580)	(8,369)	(270)	(1,464)
Grants and external transfers	5	115	6	1,630	2,918
Utilities	189	297	2,257	2,062	220
Loss on disposal of tangible capital assets	336	-	-	-	-
Write down of tangible capital assets	101	-	83	20	-
Amortization of tangible capital assets	2,803	1,450	27,404	8,462	1,772
Total before Debt	24,490	58,909	61,653	42,878	21,605
Debt interest and fiscal services	3,757	-	-	-	-
Total operating expenses	28,247	58,909	61,653	42,878	21,605
Annual Surplus (Deficit)	\$ 140,978	\$ (45,979)	\$ (35,114)	\$ (36,549)	\$ 1,574

Airport	Wastewater	Water	Natural Gas Legacy	Library	Statutory Reserves	2017
\$ -	\$ 1,398	\$ 1,484	\$ -	\$ -	\$ -	\$ 139,395
31,905	16,291	11,772	3,990	408	426	125,623
303	716	446	107	-	1,554	10,325
-	5,477	33	-	-	-	9,533
2,054	246	1,242	-	-	-	21,559
514	1,441	483	2,559	-	-	10,694
-	-	-	-	-	-	5,922
34,776	25,569	15,460	6,656	408	1,980	323,051
4,406	3,312	2,432	-	16	-	80,505
1,155	502	812	-	143	-	48,593
-	-	-	-	-	-	28,553
6,187	1,239	990	-	19	-	33,299
28	619	485	-	2	-	8,954
1,437	3,232	897	20	-	-	78
(534)	(181)	(543)	-	-	-	(15,902)
-	-	-	-	-	-	4,674
670	1,211	1,062	-	46	-	8,014
-	-	-	-	-	-	336
-	227	9	-	-	-	440
6,081	10,639	4,605	1,600	72	-	64,888
19,430	20,800	10,749	1,620	298	-	262,432
1,268	2,323	472	2,236	2	-	10,058
20,698	23,123	11,221	3,856	300	-	272,490
\$ 14,078	\$ 2,446	\$ 4,239	\$ 2,800	\$ 108	\$ 1,980	\$ 50,561

SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2018 (in thousands of dollars)

Long term debt – General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/17	Amount of Issue	Debt Balance Dec. 31/18	Sinking Fund Balance Dec. 31/18	Current Interest Rate
Public Works						%
2019	South Pandosy Spec Area 1	\$ 34	\$ 234	\$ 18	\$ 216	2.10
2019	South Pandosy Spec Area 2	60	410	31	379	2.10
2019	Automated Curb Side Carts	1,119	4,810	570	4,240	4.13
2022	Chapman Parkade	1,414	4,071	1,158	2,913	2.10
2028	DCC Roads	1,233	10,400	-	10,400	5.15
Local Improvements						
2019	Local Improvements	10	69	5	64	2.10
2035	Lawrence Ave LAS	309	345	296	49	3.00
Recreational and Cultural						
2021	Kokanee Gym Facility	142	500	109	391	1.75
2027	H2O Centre	16,412	27,500	15,045	12,455	4.82
2027	Kokanee Gymnastic	478	800	438	362	4.82
2028	H2O Centre	1,289	2,000	1,194	806	5.15
2035	Police Facilities	18,561	20,000	17,803	2,197	2.75
2035	Library Parkade Ext & Memorial Parkade	13,921	15,000	13,352	1,648	2.75
2036	Police Facilities	16,399	17,000	15,777	1,223	2.60
2037	Police Facilities	3,000	3,000	2,888	112	3.15
2038	Police Facilities	-	1,360	1,360	-	3.15
Total Debt – General Fund		\$ 74,381	\$ 107,499	\$ 70,044	\$ 37,455	



SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2018 (in thousands of dollars)

Long term debt – Wastewater Fund Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/17	Amount of Issue	Debt Balance Dec. 31/18	Sinking Fund Balance Dec. 31/18	Current Interest Rate
Specified Area Programs						%
2018	Spec. Area 18 - Caramillo	\$ 10	\$ 135	\$ -	\$ 135	4.65
2018	Spec. Area 19 - Poplar Point	6	77	-	77	4.65
2022	Spec. Area 22A - Gerstmar	14	40	11	29	1.75
2024	Spec. Area 21A - McKenzie Bench	627	1,350	550	800	2.00
2024	Spec. Area 22B - Vista Rd	37	80	32	48	2.00
2024	Spec. Area 22C - Hein Rd	124	266	109	157	2.00
2024	Spec. Area 22D - Elwyn Rd	69	149	61	88	2.00
2024	Spec. Area 22E - Dease Rd	45	96	39	57	2.00
2024	Spec. Area 22F - Mills Rd	159	342	140	202	2.00
2024	Spec. Area 29 - Campion Cambro	406	874	356	518	2.00
2024	Spec. Area 30 - Acland	169	364	148	216	2.00
2025	Spec. Area 20 - North Rutland	3,365	6,822	2,993	3,829	1.80
2025	Spec. Area 28A - Okaview	315	638	280	358	1.80
2028	Spec Area 26 - Fisher Rd	1,303	2,021	1,206	815	5.15
2028	Spec Area 34 - Country Rhodes	280	435	260	175	5.15
2028	Spec Area 36 - Clifton	172	267	159	108	5.15
Sewer Improvement Program						
2019	Byrns Baron Main	693	3,866	355	3,511	2.00
Sewer Treatment Plant						
2019	Waste Water Treatment Expansion	4,651	20,000	2,371	17,629	4.90
2019	Waste Water Treatment Expansion	2,325	10,000	1,186	8,814	4.13
2020	Waste Water Treatment Expansion	3,421	10,000	2,325	7,675	3.73
2031	Brandt's Creek Tradewaste Treatment	2,541	3,800	2,301	1,499	3.25
Total Debt – Wastewater Fund		\$ 20,732	\$ 61,622	\$ 14,882	\$ 46,740	



SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2018 (in thousands of dollars)

Long term debt – Water Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/17	Amount of Issue	Debt Balance Dec. 31/18	Sinking Fund Balance Dec. 31/18	Current Interest Rate
	Specified Area Programs					%
2023	Spec Area 16 - Byrns	\$ 16	\$ 39	\$ 14	\$ 25	2.40
2024	Spec Area 18 - Lakeshore	11	24	9	15	2.00
2028	Spec Area 26 - Fisher Rd	192	297	177	120	5.15
2038	Local Area Service - Aspen Rd	-	48	48	-	3.20
	Water Improvement Program					
2028	Cedar Creek Pump Station	4,884	7,577	4,522	3,055	5.15
2031	Poplar Point Pump Station Upgrade	1,555	2,000	1,470	530	3.25
Total Debt – Water Fund		\$ 6,658	\$ 9,985	\$ 6,240	\$ 3,745	

Long term debt – Airport Fund

Debenture Debt

2018	Airport Expansion	\$ 1,897	\$ 16,000	\$ -	\$ 16,000	4.65
2025	Airport Expansion	6,199	7,500	5,514	1,986	2.75
2026	Airport Expansion	3,202	3,500	2,893	607	2.60
2026	Airport Expansion	2,738	3,000	2,469	531	2.10
2027	Airport Expansion	8,000	8,000	7,302	698	2.80
Total Debt – Airport Fund		\$ 22,036	\$ 38,000	\$ 18,178	\$ 19,822	

Long term debt – Natural Gas Legacy Fund

Debenture Debt

2018	Leased Capital Assets	\$ 2,737	\$ 29,800	\$ -	\$ 27,063	6.01
2018	Leased Capital Assets	1,791	19,500	-	17,709	1.15
		\$ 4,528	\$ 49,300	\$ -	\$ 44,772	
Capital Lease Payable		\$ 2,171	\$ 2,500	\$ -		10.072
Total Debt – Natural Gas Legacy Fund		\$ 6,699	\$ 51,800	\$ -		

Long term debt – Other

2018	General - CN Rail	\$ 3,000	\$ 3,000	\$ -		nil
2019	Water - KLO Road for SEKID	-	177	177		nil
2020	General Land-Diamond Mountain	-	6,900	6,900		nil
2020	Wastewater - Commonage	329	439	219		nil
2021	Airport - 3770 Bulman road	3,600	4,500	2,700		
Total Debt – Other		\$ 6,929	\$ 15,016	\$ 9,996		

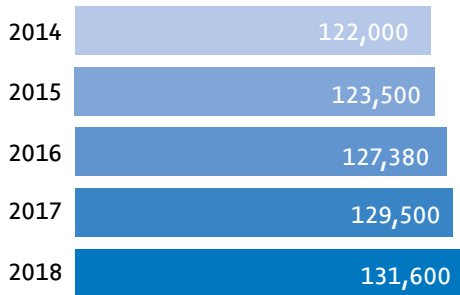
Total City Long Term Debt	\$ 137,434	\$ 283,922	\$ 119,340
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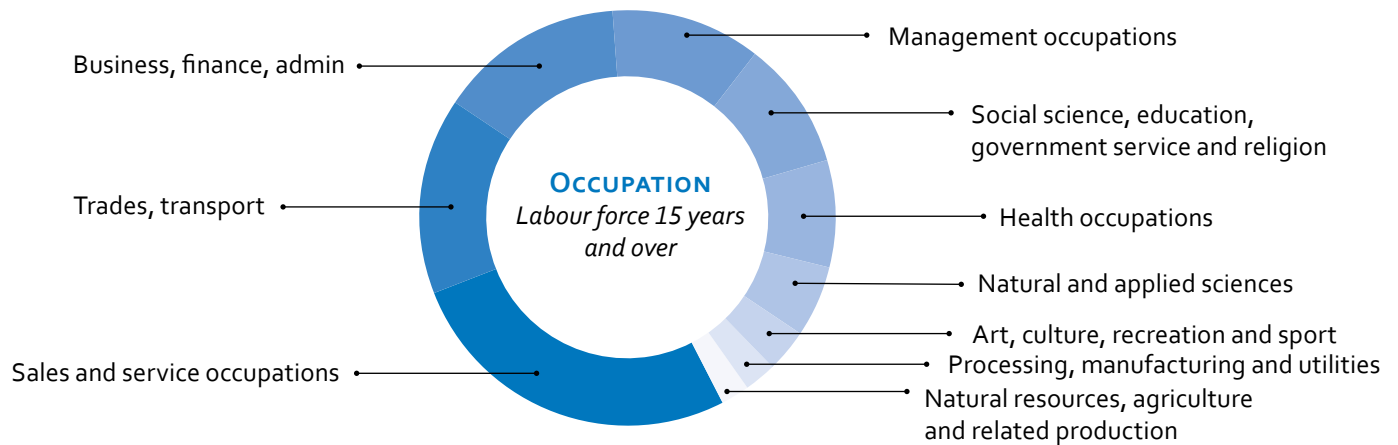
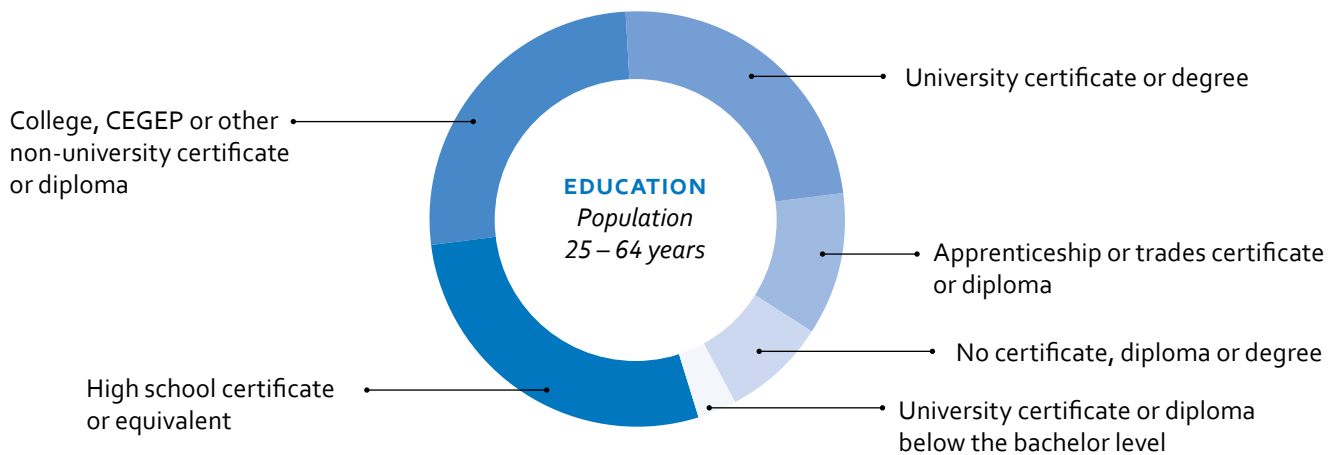
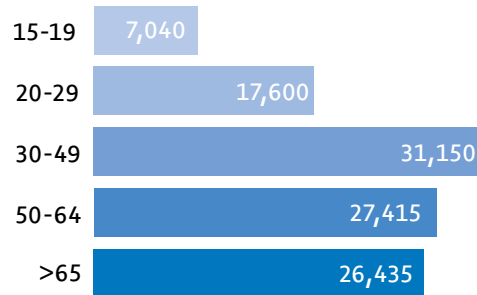
▲ STATISTICAL REVIEW 2014 – 2018

STATISTICAL REVIEW 2014 – 2018

POPULATION



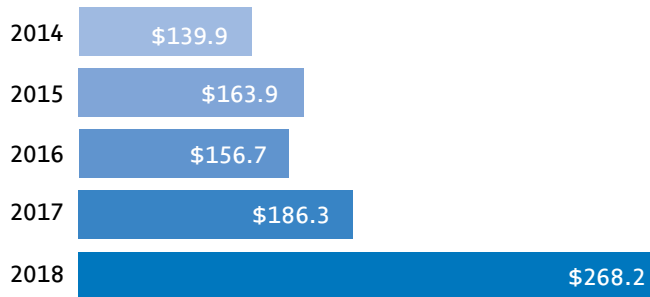
AGE OF POPULATION



Note: Numbers and graphs on this page are updated from Census information available every 5 years. Except for the population graph which has the numbers updated each year from the figures available in kelowna.ca, "About Kelowna."

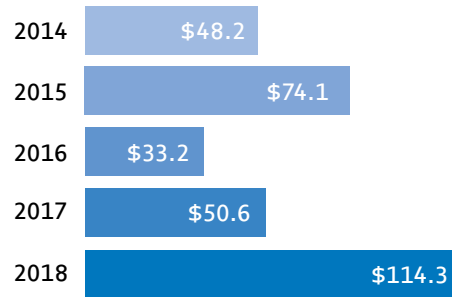
NET FINANCIAL ASSETS (LIABILITIES)

millions



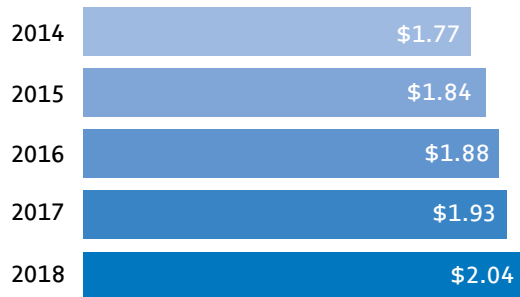
ANNUAL SURPLUS

millions



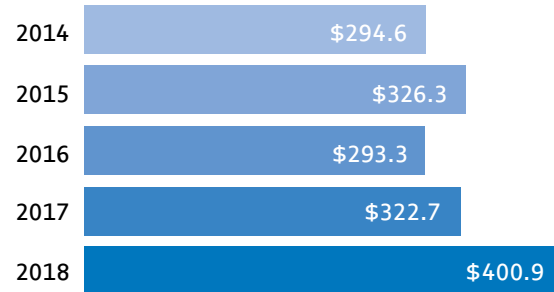
ACCUMULATED SURPLUS

billions



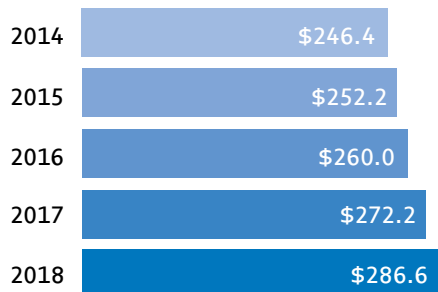
CONSOLIDATED REVENUES

millions



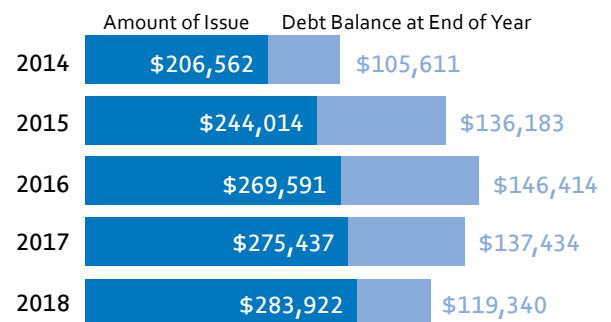
CONSOLIDATED EXPENSES

millions



LONG TERM DEBT

thousands



Source: City of Kelowna Financial Services Department.

CONSOLIDATED REVENUES BY TYPE*millions*

	2014	2015	2016	2017	2018
Taxation	\$ 119.27	\$ 125.19	\$ 131.79	\$ 139.40	\$ 145.94
Fees and Charges	107.38	113.02	118.43	125.62	152.54
Interest earned	8.44	8.98	9.85	10.33	12.82
DCC Contributions	18.00	22.58	10.48	9.53	12.93
Government transfers	22.39	22.42	15.58	21.56	49.02
Other capital contributions	14.65	34.10	6.65	10.69	23.03
Gain on disposal of tangible capital assets	4.46	-	0.50	5.59	4.60
Total	\$ 294.58	\$ 326.29	\$ 293.28	\$ 322.72	\$ 400.88

CONSOLIDATED EXPENSES BY FUNCTION*millions*

	2014	2015	2016	2017	2018
General government	\$ 22.79	\$ 22.97	\$ 26.51	\$ 27.20	\$ 30.37
Protective services	49.81	53.70	55.73	59.72	60.95
Transportation	58.56	60.88	59.69	63.04	63.74
Recreational & cultural	42.58	41.32	41.89	42.73	44.64
Other services (Incl Natural Gas Legacy)	22.66	22.69	23.40	24.22	26.86
Airport	16.82	17.44	19.30	20.70	23.00
Wastewater	23.06	22.83	22.83	22.89	22.61
Water	10.15	10.34	10.70	11.21	13.46
Loss on disposal of tangible capital assets	-	-	-	-	0.46
Write down of tangible capital assets	-	-	-	0.44	0.49
Total	\$ 246.43	\$ 252.17	\$ 260.04	\$ 272.15	\$ 286.58

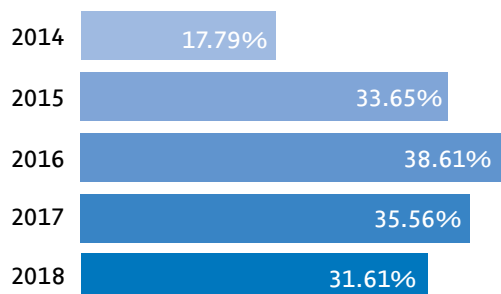
Source: City of Kelowna Financial Services Department.

CONSOLIDATED EXPENSES BY OBJECT

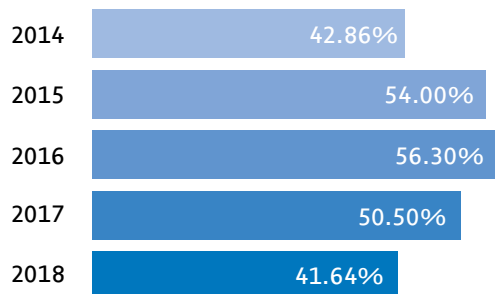
millions

	2014	2015	2016	2017	2018
Salaries and benefits	\$ 70.01	\$ 75.50	\$ 77.32	\$ 80.51	\$ 83.86
Contract and professional services	46.10	45.89	46.41	48.59	56.59
RCMP Contract	23.89	24.79	26.47	28.55	28.49
Materials and supplies	29.71	29.88	30.79	33.30	36.16
Equipment	6.78	7.39	8.06	8.95	9.71
Allocations	0.02	0.05	0.06	0.08	0.08
Cost recoveries	(11.96)	(13.66)	(14.13)	(15.90)	(17.79)
Grants and external transfers	3.59	3.70	3.88	4.67	5.27
Utilities	7.13	7.24	7.62	8.01	7.65
Loss on disposal of tangible capital assets	-	0.03	-	-	0.46
Write down of tangible capital assets	-	-	-	0.44	0.49
Amortization of tangible capital assets	61.41	61.89	63.34	64.89	66.99
Debt interest and fiscal services	9.75	9.49	10.21	10.06	8.64
Total	\$ 246.43	\$ 252.17	\$ 260.04	\$ 272.15	\$ 286.58

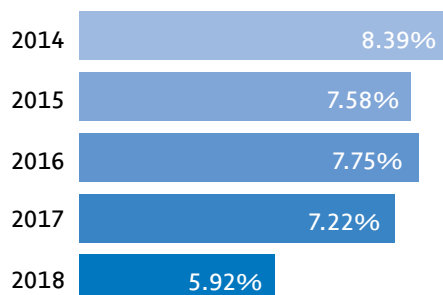
GENERAL DEBENTURE DEBT CHARGES AS A PERCENTAGE OF TOTAL GENERAL EXPENDITURES



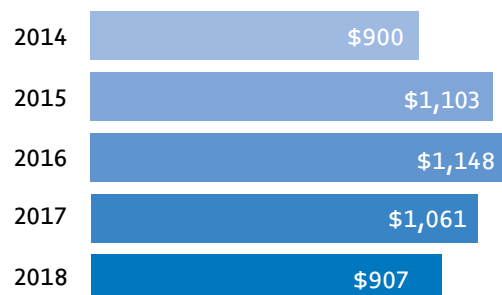
CONSOLIDATED DEBT AS A PERCENTAGE OF TOTAL GENERAL EXPENDITURES



CONSOLIDATED DEBT CHARGES AS A PERCENTAGE OF TAXATION



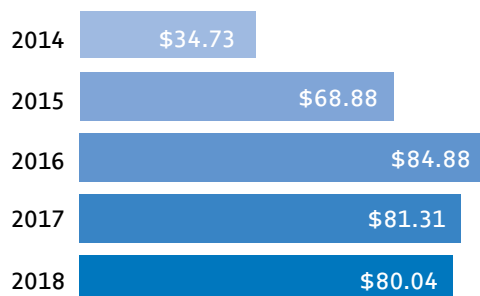
CONSOLIDATED LONG TERM DEBT PER CAPITA



Source: City of Kelowna Financial Services Department.

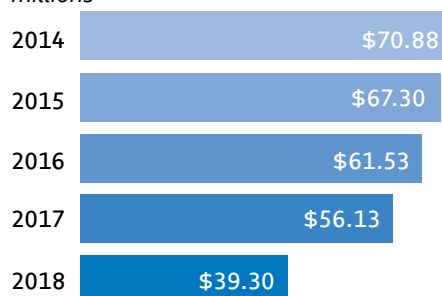
TOTAL DEBT SUPPORTED BY TAXES

millions



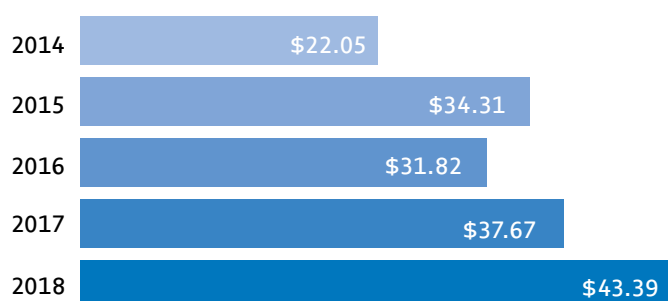
TOTAL DEBT SUPPORTED BY UTILITIES AND OTHER

millions



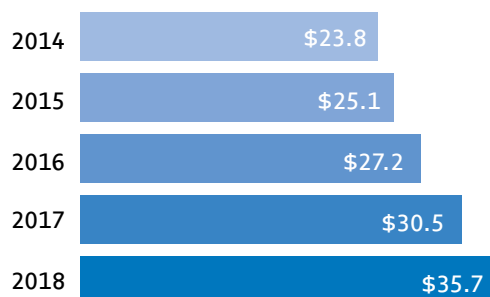
TOTAL LEGAL DEBT LIMIT

millions



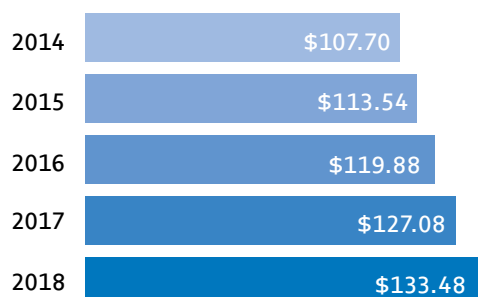
ASSESSMENT FOR GENERAL TAXATION

billions



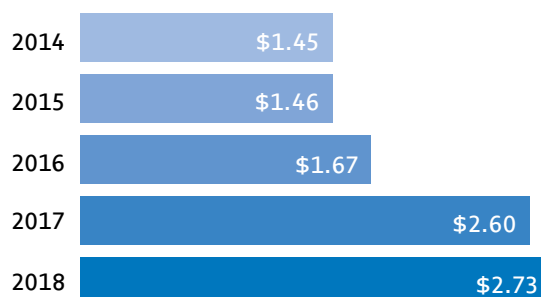
MUNICIPAL TAX DEMAND

millions



NEW CONSTRUCTION REVENUE

millions



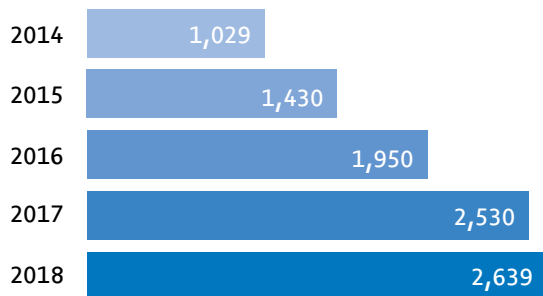
TOTAL PROPERTY TAX LEVIES

thousands

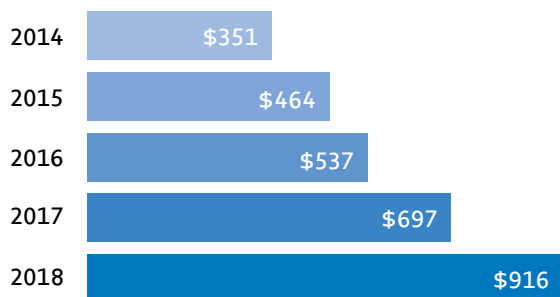
	2014	2015	2016	2017	2018
City of Kelowna	\$ 113,119	\$ 119,132	\$ 125,622	\$ 133,024	\$ 139,647
School Tax	66,174	67,131	67,638	66,086	68,721
Regional Hospital	10,901	11,331	11,451	11,527	11,691
Regional District	10,685	11,153	11,383	11,329	11,922
BC Assessment	2,003	2,021	2,010	1,857	1,981
Total Property Tax Levies	\$ 202,883	\$ 210,768	\$ 218,104	\$ 223,823	\$ 233,961
Total Property Taxes Collected	\$ 199,059	\$ 207,413	\$ 214,995	\$ 220,930	\$ 231,270

Source: City of Kelowna Financial Services Department.

HOUSING STARTS



VALUE OF NEW DEVELOPMENT millions

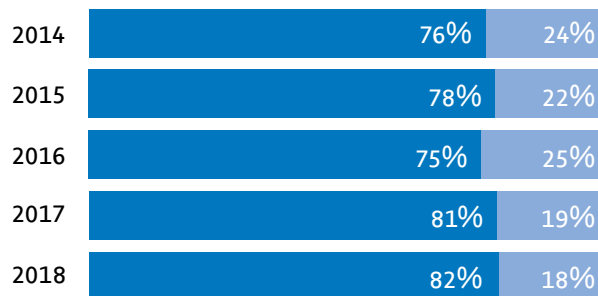


NUMBER OF BUSINESS LICENSES



Source: City of Kelowna Development, Corporate Services Department

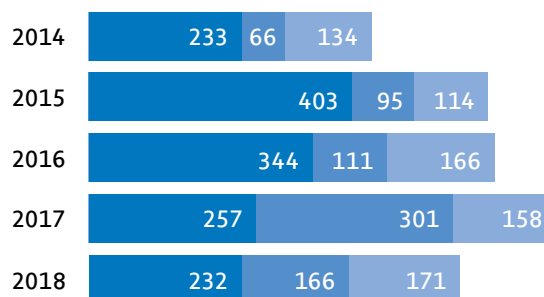
REGIONAL HOUSING STARTS



● City of Kelowna ● Region

Note: the Regional District of the Central Okanagan includes City of West Kelowna, District of Peachland, District of Lake Country, and the Central Okanagan east and west electoral areas.

DEVELOPMENT FLOOR SPACE Square footage (thousands)



● Commercial ● Industrial ● Institutional

Source: City of Kelowna Development Services, City of Kelowna Business Licences system, Regional District of Central Okanagan



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