

CITY OF KELOWNA

BYLAW NO. 11227

Five Year Financial Plan 2016-2020

The Municipal Council of the City of Kelowna, in open meeting assembled, enacts as follows:

1. Schedule "A" attached hereto and forming part of this bylaw is hereby declared to be the Five Year Financial Plan of the City of Kelowna for the period January 1st, 2016 to and including December 31st, 2020.
2. Schedule "B" attached hereto and forming part of this bylaw is hereby declared to be the Statement of Objectives and Policies in accordance with Section 165 (3.1) of the *Community Charter*.
3. This bylaw may be cited for all purposes as the "Five Year Financial Plan Bylaw, 2016-2020, No. 11227".

Read a first, second and third time by the Municipal Council this 25th day of April, 2016.

Adopted by the Municipal Council of the City of Kelowna this

Mayor

City Clerk

**Schedule A
Financial Plan 2016 - 2020**

	2016	2017	2018	2019	2020	2021-2030
REVENUE						
PROPERTY VALUE TAX	119,879,430	126,418,833	133,163,297	139,873,658	146,621,819	1,793,646,313
LIBRARY REQUISITION	5,756,024	5,888,413	6,023,846	6,162,394	6,304,130	71,592,421
PARCEL TAXES	3,223,783	3,263,441	3,286,590	3,310,106	3,315,787	34,332,234
FEES AND CHARGES	106,746,093	109,734,726	111,367,172	113,311,918	115,947,582	1,299,290,083
BORROWING PROCEEDS	55,276,560	-	-	-	-	89,000,000
OTHER SOURCES	62,694,808	52,235,708	45,043,983	52,334,027	50,601,845	570,088,175
	<u>353,576,698</u>	<u>297,541,121</u>	<u>298,884,887.43</u>	<u>314,992,103.06</u>	<u>322,791,163.99</u>	<u>3,857,949,226</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	3,426,636	2,231,501	2,231,303	2,231,094	1,631,594	13,341,983
DCC FUNDS	13,119,310	19,154,057	21,400,501	21,053,485	31,223,270	163,065,700
SURPLUS/RESERVE ACCOUNTS	102,079,775	56,433,187	57,312,956	36,826,288	56,966,588	264,442,430
	<u>118,625,721</u>	<u>77,818,744</u>	<u>80,944,760</u>	<u>60,110,867</u>	<u>89,821,452</u>	<u>440,850,113</u>
TOTAL REVENUE	<u>472,202,419</u>	<u>375,359,865</u>	<u>379,829,648</u>	<u>375,102,970</u>	<u>412,612,616</u>	<u>4,298,799,338</u>
EXPENDITURES						
MUNICIPAL DEBT						
DEBT INTEREST	11,664,060	12,238,919	12,214,879	8,853,533	7,662,060	66,518,128
DEBT PRINCIPAL	13,498,254	13,391,604	14,699,076	11,565,938	8,463,806	64,128,675
CAPITAL EXPENDITURES	190,827,480	91,589,675	88,270,800	74,820,189	109,768,109	826,484,594
OTHER MUNICIPAL PURPOSES						
GENERAL GOVERNMENT	27,170,244	27,711,268	28,594,708	29,466,037	30,327,549	328,757,898
PLANNING, DEVELOPMENT &						
BUILDING SERVICES	24,216,452	22,678,943	23,952,392	24,779,277	25,647,455	275,606,795
COMMUNITY SERVICES	79,025,868	79,657,865	81,936,252	84,647,345	87,606,264	1,056,070,646
PROTECTIVE SERVICES	51,283,115	54,584,686	57,528,149	60,542,825	64,195,225	783,164,488
UTILITIES	19,375,599	19,908,841	20,575,440	21,110,667	21,687,027	251,344,398
AIRPORT	12,684,609	12,902,556	13,418,237	13,882,225	14,364,189	172,458,732
	<u>429,745,681</u>	<u>334,664,357</u>	<u>341,189,934</u>	<u>329,668,038</u>	<u>369,721,685</u>	<u>3,824,534,354</u>
TRANSFERS BETWEEN FUNDS						
RESERVE FUNDS	15,626,706	16,693,234	16,761,320	16,693,383	16,613,357	160,787,118
DCC FUNDS	-	-	-	-	-	-
SURPLUS/RESERVE ACCOUNTS	26,830,032	24,002,274	21,878,394	28,741,549	26,277,573	313,477,866
	<u>42,456,738</u>	<u>40,695,509</u>	<u>38,639,714</u>	<u>45,434,932</u>	<u>42,890,930</u>	<u>474,264,985</u>
TOTAL EXPENDITURES	<u>472,202,419</u>	<u>375,359,865</u>	<u>379,829,648</u>	<u>375,102,970</u>	<u>412,612,616</u>	<u>4,298,799,338</u>

**Schedule "B"
Statement of Objectives and Policies**

In accordance with Section 165(3.1) of the *Community Charter*, municipalities are required to include in the Five Year Financial Plan, objectives and policies regarding each of the following:

- (a) For each of the funding sources described in Section 165(7) of the *Community Charter*, the proportion of total revenue that is proposed to come from that funding source;
- (b) The distribution of property value taxes among the property classes that may be subject to taxes; and
- (c) The use of permissive tax exemptions.

Funding Sources

Table 1 shows the proportion of total revenue proposed to be raised from each funding source in 2016. Property taxes and fees and charges are two of the largest sources of revenue. Both have advantages in that they are stable, relatively simple to administer and are generally understood by citizens. The City of Kelowna also utilizes funds from reserves and surplus as another main source of financial support. Reserve funds are closely managed to ensure and protect the current and future financial viability of the municipality. Other sources of revenue may be variable and fluctuate from year to year depending on the economic influences and capital programs undertaken by the City.

Objectives

- Investigate other potential funding sources and securing opportunities for additional revenues.
- Begin to decrease the municipality's reliance on property taxes and explore opportunities to increase the percent of total revenue received from user fees and charges and senior government grants.
- Maintain a fees and charges structure whereby increases are applied on a regular basis in line with inflation, while ensuring that service levels remain competitive and affordable.

Policies

- Pursue non-property tax revenues whenever possible through applying for government grants and charging user fees at appropriate levels.
- Perform regular reviews of revenue generating areas for appropriate application of rate increases.
 - Planning and Development Fees.
 - Recreation & Cultural Services - application of BC Consumer Price Index.
 - Utility Revenues - ensure Utilities operate as self-supporting enterprise funds.
- Increase provincial and federal grant revenue through maximum utilization of the City's Grant Manager position.

Table 1: Sources of Revenue

Revenue Source	Revenue \$ (000's)	% of Revenue
Property Value Tax	119,879	25%
Library Requisition	5,756	1%
Parcel Taxes	3,224	1%
Fees & Charges	106,746	22%
Borrowing Proceeds	55,276	12%
Other Sources	62,695	14%
Reserve Funds/Accounts	118,626	25%
Total	472,202	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2016 and the relative proportion of tax revenues. Projected revenues from the combined residential, recreational and Non-Profit classes, provides the largest proportion of property tax revenue. This cumulative class represents the largest tax assessment base and hence utilizes the majority of City services.

Objectives

- Provide an effective tax change that is the same for all property classes.

- Ensure that business and light industry property tax ratios remain below the average of BC municipalities with populations greater than 75,000.
- Allow for a maximum ratio cap of 3.00:1 for the Light Industrial/Business class.

Policies

- Council will annually review and modify tax class ratios to provide an effective tax change that is the same for all classes.
- The impacts on other property classes from administering a ratio cap on the Light Industrial/Business classes will be reported to Council during the annual Tax Distribution Policy review.
- Regularly review and compare the City’s relative position in terms of distribution of taxes to other similarly sized municipalities in British Columbia.

Table 2: Tax Class Ratios and Projected Revenues

Property Class	Description	2016 Tax Class Ratios	Tax Revenue (000's)	2015 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	83,499	1.0000:1
02	Utilities	5.0458:1	511	5.1296:1
04	Major Industrial	3.7328:1	386	3.4822:1
05/06	Light Ind/Bus/Other	2.1934:1	34,972	2.1307:1
09	Farm Land	0.1275:1	10	0.1244:1
91	Farm Improvements	0.4801:1	501	0.4882:1
	Total Revenues		119,879	

Permissive Tax Exemptions

The City has an existing permissive tax exemption policy which guides the administration and approval of permissive tax exemptions. Some of the eligibility criteria for permissive tax exemptions that are outlined in the policy include the following:

- The applicant must qualify for an exemption under the provisions of the Community Charter.
- The organization receiving an exemption must be a registered non-profit society or registered charity, as the support of the municipality will not be used for commercial and private gain.
- The tax exemption must demonstrate benefit to the community and residents of the City by enhancing the quality of life (spiritually, educationally, socially and culturally), while delivering services economically to the citizens within the community.

The value of tax exemptions provided by Council for 2016 (based on 2015 assessment totals and tax rates) is \$1,929,523. The following breaks down the total into various exemption categories and the exemption value for the category:

- Places of Worship - \$280,318
- Private schools - \$159,177
- Hospitals - \$ 15,789
- Special Needs Housing - \$55,630
- Social Services - \$187,011
- Public Park, Athletic or Recreational - \$440,681
- Cultural - \$315,652
- Partnering, Heritage or Other Special Exemptions Authority - \$333,573
- Revitalization - \$141,692

In order to encourage the restoration and preservation of commercial, industrial and institutional building, properties that meet the criteria outlined in the Heritage Building Tax Incentive Program policy can receive a tax exemption.

The establishment of the Revitalization Tax Exemption policy allows qualifying properties within the Downtown Urban Centre and Rutland Urban Centre areas to receive a tax exemption.

Objectives

- Continue to provide permissive tax exemptions to support qualifying organizations that improve the well-being of the community.
- The municipality will continue to provide heritage and revitalization tax exemptions for qualifying properties.

Policies

- Permissive tax exemptions will be considered to encourage activities that: (a) are consistent with the quality of life objectives of the municipality; (b) provide direct access and benefit to the public; and (c) would otherwise be provided by the municipality.
- To meet the city's commitment to the ongoing restoration, preservation and maintenance of buildings and structures on its Heritage Register, eligible properties will be considered for a tax exemption.
- To support the city's revitalization program of the Downtown Urban Centre and Rutland Urban Centre, qualifying properties will be considered for a tax exemption.