

CITY OF KELOWNA

BYLAW NO. 12011

Five Year Financial Plan 2020-2024

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

1. Schedule "A" attached hereto and forming part of this bylaw is hereby declared to be the Five Year Financial Plan of the City of Kelowna for the period January 1, 2020 to and including December 31, 2024.
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, 2020-2024, No. 12011".

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

Mayor

City Clerk

Schedule "A"
Financial Plan 2020 - 2024

	2020	2021	2022	2023	2024	2025-2030
Revenue						
Property Value Tax	148,846,715	158,840,803	169,889,083	180,701,236	186,912,094	1,258,461,927
Library Requisition	6,813,500	6,949,770	7,088,765	7,230,540	7,375,151	47,453,812
Parcel Taxes	3,142,381	3,426,422	3,451,487	3,475,016	3,494,169	17,620,276
Fees and Charges	137,762,227	148,020,158	151,658,903	155,045,322	158,678,327	1,033,087,639
Borrowing Proceeds	7,158,600	22,780,000	73,416,723	46,985,000	6,747,500	26,182,034
Other Sources	73,059,386	50,037,664	60,818,742	51,459,479	68,468,325	414,885,398
	376,782,809	390,054,817	466,323,703	444,896,593	431,675,566	2,797,691,086
Transfer between Funds						
Reserve Funds	2,452,188	1,187,648	1,187,648	972,920	972,920	5,837,520
DCC Funds	31,044,365	14,550,553	19,563,296	20,379,078	25,431,239	155,527,686
Surplus/Reserve Accounts	185,658,769	64,453,198	74,837,863	49,854,898	61,020,999	254,206,738
	219,155,322	80,191,399	95,588,807	71,206,896	87,425,158	415,571,945
Total Revenues	595,938,131	470,246,216	561,912,510	516,103,489	519,100,724	3,213,263,030
Expenditures						
Municipal Debt						
Debt Interest	4,167,837	4,583,941	6,305,472	7,582,916	7,764,788	43,792,164
Debt Principal	11,728,562	9,234,572	11,880,905	12,370,915	12,614,868	65,340,043
Capital Expenditures	244,687,850	115,720,533	196,880,227	135,532,413	130,275,942	681,112,978
Other Municipal Purposes						
General Government Planning, Development & Building Services	29,511,968	30,369,017	31,212,785	32,087,713	32,987,325	217,993,213
Community Services	29,832,174	25,982,788	26,471,863	27,263,536	28,091,066	186,072,644
Community Services	89,673,511	91,040,530	93,255,538	94,702,682	97,557,258	647,676,400
Protective Services	67,552,682	75,679,542	80,357,259	84,641,683	87,451,072	587,665,165
Utilities	25,707,690	21,754,806	22,162,986	22,745,803	23,347,904	153,576,252
Airport	18,636,279	18,954,304	19,517,299	20,108,299	20,719,244	138,010,202
	521,498,553	393,320,033	488,044,334	437,035,960	440,809,467	2,721,239,060
Transfers between Funds						
Reserve Funds	23,769,899	26,015,742	26,097,881	27,335,530	27,339,597	162,234,170
DCC Funds	0	0	0	0	0	0
Surplus/Reserve Accounts	50,669,679	50,910,441	47,770,295	51,731,999	50,951,660	329,789,800
	74,439,578	76,926,183	73,868,176	79,067,529	78,291,257	492,023,970
Total Expenditures	595,938,131	470,246,216	561,912,510	516,103,489	519,100,724	3,213,263,030

Schedule "B"
Statement of Objectives and Policies

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

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

Funding Sources

Table 1 shows the proportion of total revenue proposed to be raised from each funding source in 2020. 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	148,847	25%
Library Requisition	6,814	1%
Parcel Taxes	3,142	1%
Fees & Charges	137,762	23%
Borrowing Proceeds	7,159	1%
Other Sources	73,059	12%
Reserve Funds/Accounts	219,155	37%
Total	595,938	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2020 and the relative proportion of tax revenues. Projected revenues from the combined residential, recreational and Non-Profit classes, provides the largest proportion of property tax revenue. This cumulative class represents the largest tax assessment base and hence utilizes the majority of City services.

Objectives

- Provide an effective tax change that is the same for all property classes.
- Ensure that business and light industry property tax ratios remain below the average of BC municipalities with populations greater than 75,000.
- Allow for a maximum ratio cap of 3:1 for the Light Industrial/Business class.

Policies

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

Table 2: Tax Class Ratios and Projected Revenues

Property Class	Description	2020 Tax Class Ratios	Tax Revenue \$ (000's)	2019 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	103,840	1.0000:1
02	Utilities	4.9211:1	696	5.4690:1
04	Major Industrial	6.0425:1	468	6.4174:1
05/06	Light Ind/Bus/Other	2.1724:1	43,230	2.3555:1
09	Farm Land	0.1706:1	11	0.1523:1
91	Farm Improvements	0.5096:1	602	0.4980:1
	Total Revenues		148,847	

Property Tax Exemptions

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

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

The value of tax exemptions provided by Council for 2020 (based on 2019 assessment totals and tax rates) is \$4,070,550. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 348,830

Private schools - \$ 223,631

Hospitals - \$ 59,320

Special Needs Housing - \$ 62,948

Social Services - \$ 283,026

Public Park, Athletic or Recreational - \$ 432,387

Cultural - \$ 343,745

Partnering, Heritage or Other Special Exemptions Authority - \$ 651,659

Revitalization - \$1,665,004

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.