

Building on Momentum

2015 Annual Report

For the year ended December 31, 2015

Kelowna
British Columbia
Canada

Building on Momentum

City of Kelowna 2015 Annual Report

For the year ended December 31, 2015

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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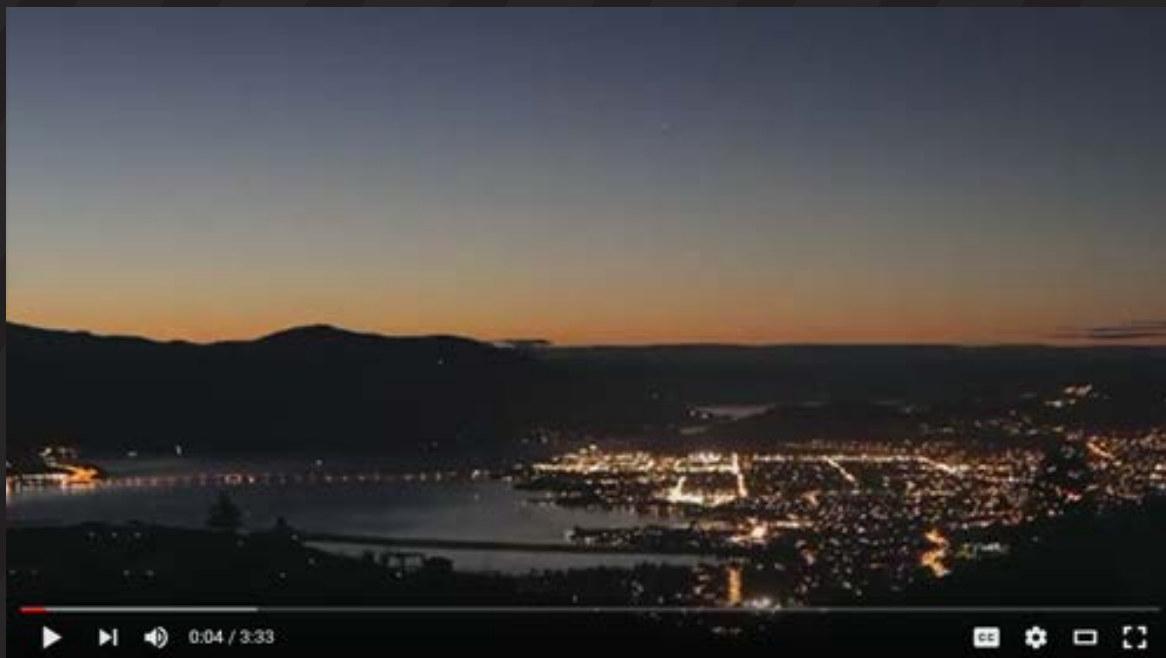
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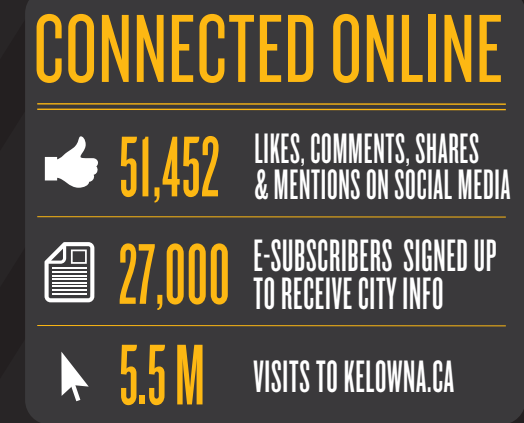
Introduction



Watch the Mayor, City Manager and Joe Schober, Bardel Entertainment's studio manager, recap 2015.



By the numbers



Message from the Mayor

Colin Basran

This was an important year for City Council. In 2015, we found our stride working together and came up with our priorities for the remainder of our term. As a new Council, it took time for us to figure out how we, as a group of passionate individuals, would come together and make decisions as a group for the benefit of the community we love.

Even though it was our first full year working together, we saw many exciting things happen for our city. Truly, we were able to take the foundation and vision set by previous Councils and make things happen. We gained experience and confidence, determining how we want to do business and establishing our priorities.

In one of our boldest moves, we decided to make clean drinking water our highest priority. As a water utility, the City of Kelowna provides award-winning, safe drinking water to our customers and we want to make sure that same water quality is available to all our residents. Because there are more than 30 water providers within Kelowna's city boundaries, some residents are supplied water of varying quality, costs and levels of watering restrictions, depending on the time of year. Kelowna's strength is that we have multiple water sources, but our weakness is that they are not interconnected.

Council also saw significant work done or completed on a number of big projects that were already underway, such as:

- The beginning of construction on the new Police Services building that will provide a centralized location for our police services and RCMP to more effectively and efficiently protect our community
- The completion of major upgrades to Lakeshore Road, including a multi-use pathway that provides a safe, off-road transportation option in the Mission area
- Acquisition of the discontinued CN railway for a future multi-modal corridor that will connect us with other communities in the Okanagan
- Planning exercises, like the development of principles and strategies for financial strength and stability to make sure we meet the needs of residents now and in the future

I hope you'll take some time to review this year's annual report to learn more about the ways that the City of Kelowna met past promises and created new ambitious goals that will take shape in the next few years.



Message from the City Manager

Ron Mattiussi

Some highly visible projects were completed this year, along with some less obvious projects that are all equally important on our journey to become the best mid-sized city in North America.

All you have to do is look downtown and in our urban centres to see the progress we've made. Construction began on the Okanagan Centre for Innovation, Community Health and Services Centre, a new multi-level parkade and existing parkade expansion. Stuart Park's final phase extended the waterfront promenade and saw the new Yacht Club open its doors on the park's new lawn area. Work to enhance Rutland's town centre came in the form of Roxby Plaza upgrades and the purchase of Rutland Centennial Park for future improvements.

The Urban Infill Challenge requested proposals from developers to design increased density for certain areas of the city to create more livable, walkable and healthy communities. Public engagement for the future of downtown's Civic Block sought feedback about how to use the land currently occupied by the old police building and to create a plan for development of this downtown area over the next 20 years.

Meanwhile, projects like the development of our dark fibre network were less visible, but no less important. The network exists underground and moves large amounts of data at high speeds. This optic fibre network is a great example of how the City is saving money, keeping our eye on the

potential to generate revenue, and working on making Kelowna a more attractive place for investment from the innovation and tech sectors.

While the City manages the overall growth of Kelowna for residents and future residents, staff also worked in partnership with citizens at a neighbourhood level to strengthen connections and build lasting relationships. As a program that develops through resident input and action, Strong Neighbourhoods stepped back from "the big picture" and went micro – exploring what makes great neighbourhoods and inspiring residents to get together to build stronger attachment, relationships and pride in the area they call home.

Active by Nature is a new program that really speaks to me. It was launched in July and draws attention to Kelowna as the four-season playground it truly is. There are so many fun, free, outdoor ways to get active in our city, and I encourage you to explore in a way that works for you. On any given day, you could be running along the city's waterfront promenade, biking along one of the great trails in Knox Mountain Park, swimming off one of our well-maintained beaches, or skating for free at Stuart Park.

Thanks for taking the time to explore Kelowna in these pages and discovering all the progress that is being made to build our city for current and future generations.



Strategic planning through Council priorities

Council priorities 2014-2018

Each Council works to determine how it will do business during its term, agrees on focus areas and projects that will support its priorities and meet the needs of the community. Kelowna City Council introduced its priorities in 2015.

Working philosophy

Open for opportunity:

Council wants to lead a community known for being open for opportunity. Opportunities may arise in the form of innovation and partnerships to deliver and expand services and amenities.

Build on momentum:

Kelowna has momentum and Council is committed to building on this through consistent and transparent governance. Council will focus on long-term planning, policy development and project/service delivery to continue to meet the needs of citizens.

Fair but firm:

As Kelowna becomes better known worldwide as a destination and a great place to live and invest, Council anticipates growth and development pressures. Council recognizes the value in maintaining a great quality of life in Kelowna. A high standard of expectations will be set by Council actions and decisions, which will attract investment because investors will have clear expectations of what they will experience when doing business with the City.

Pragmatic leadership:

Council is committed to active listening and being open to new ideas because it knows engaged residents and key stakeholders are essential to community building and decision making. This will be balanced with the need for leadership, particularly when difficult decisions are needed for the long-term benefit of the community.

Transparency in decision making:

Council understands we build trust through engagement and timely and transparent decision making. The City of Kelowna will continue to foster an open government, with civic information made easily understandable and accessible to the public.

Balanced infrastructure investments:

Each year, the City of Kelowna invests in facilities and major infrastructure. By integrating a long-term financial plan with an asset management strategy, Council will balance investment between new and existing infrastructure while improving community assets.

Responsive customer service:

Council places high value in planning for the public good while also incorporating a strong commitment to customer service. Achieving high quality outcomes through municipal process and customer service are important to encouraging thoughtful investment in the community.

Planning excellence:

Council wants to ensure a strong foundation is in place so the short- and long-term needs of the community are met. This will require a focus on long-term planning that is innovative, while based on best practices.

Priority projects

Additionally, City Council identified six focus areas for its term:

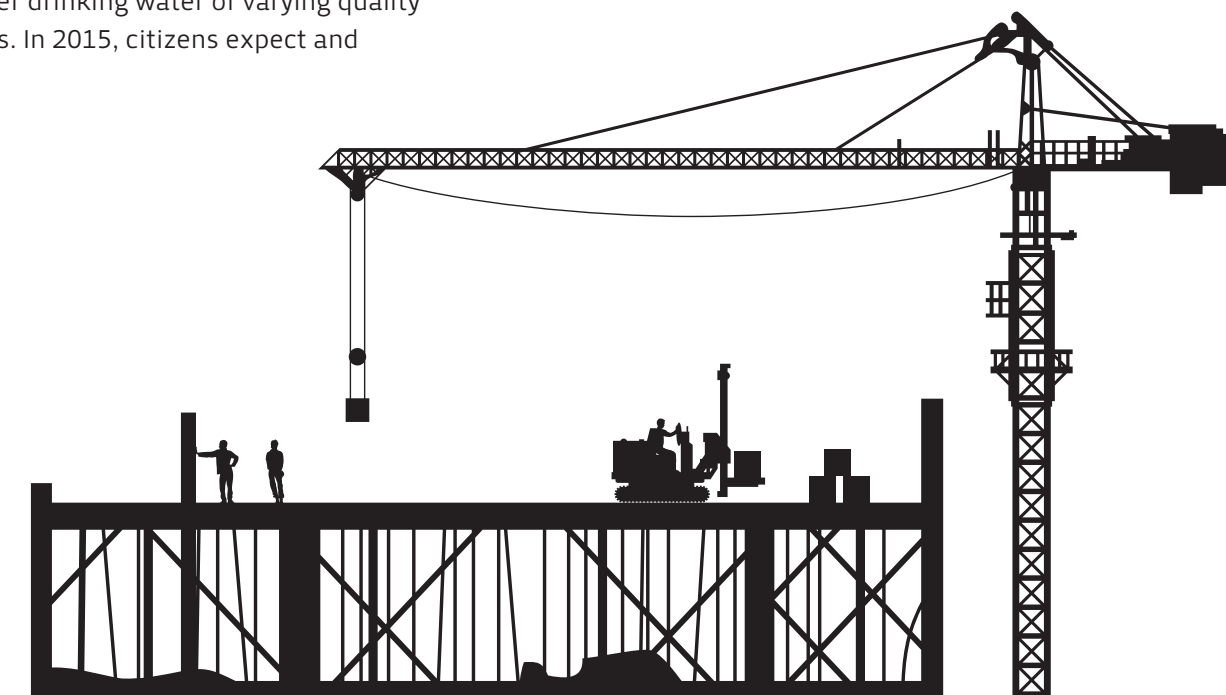
- clean drinking water
- building vibrant urban centres
- ensuring a healthy, safe, active & inclusive community
- delivering a balanced transportation network
- acting as a catalyst for business
- providing strong financial management

Council's top priority is providing residents with clean drinking water. Thirty-two separate public and private water utilities within the City of Kelowna boundary deliver drinking water of varying quality to our residents. In 2015, citizens expect and

are entitled to water quality consistent with the Canadian Drinking Water Guidelines, equitable water rates and a resilient and robust system able to respond to impacts resulting from climate change and changing regulations.

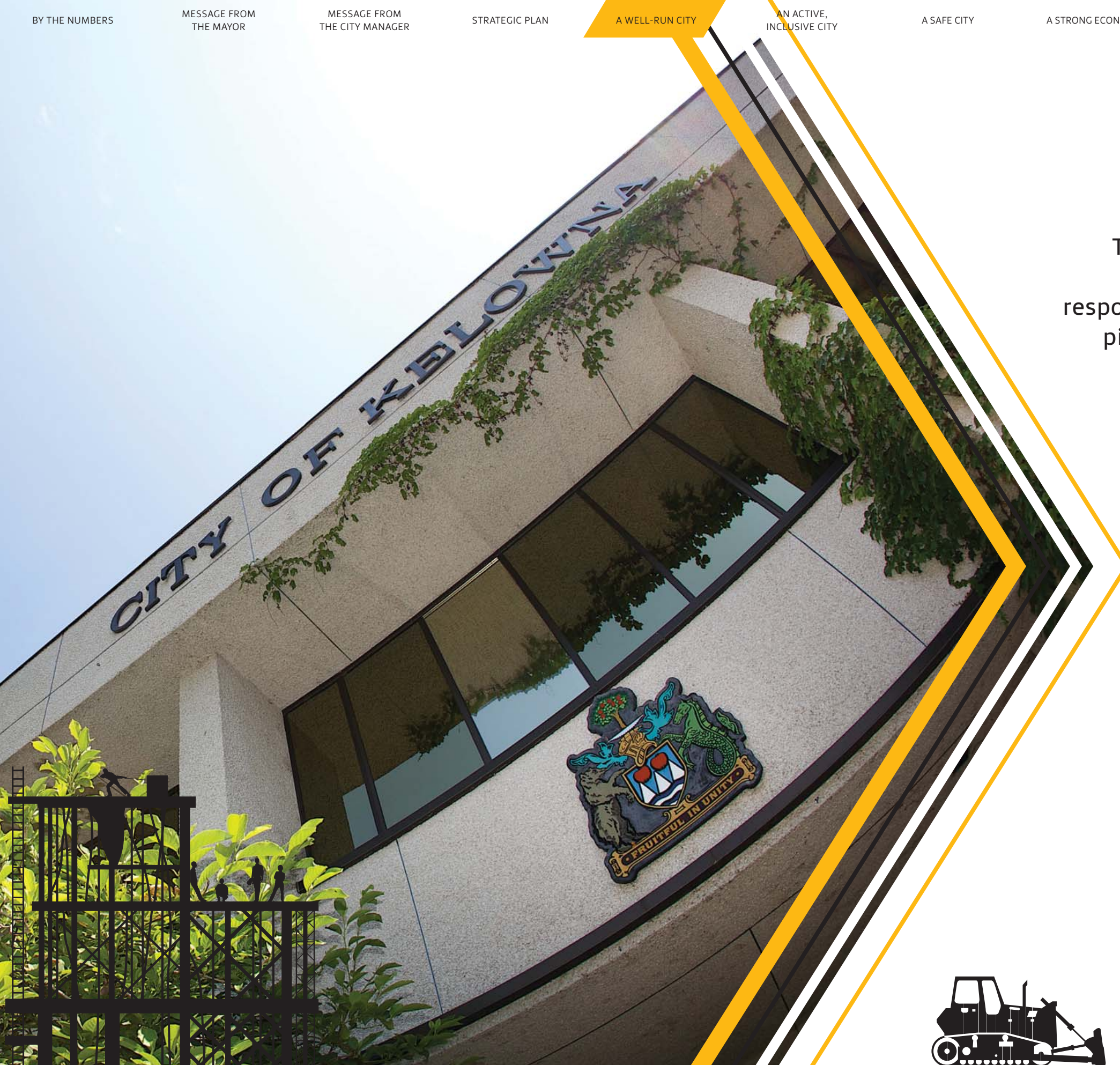
During its term, Council will undertake a Strategic Community Visioning exercise to guide the work of the corporation in its mission to build the best mid-sized city in North America.

kelowna.ca/council



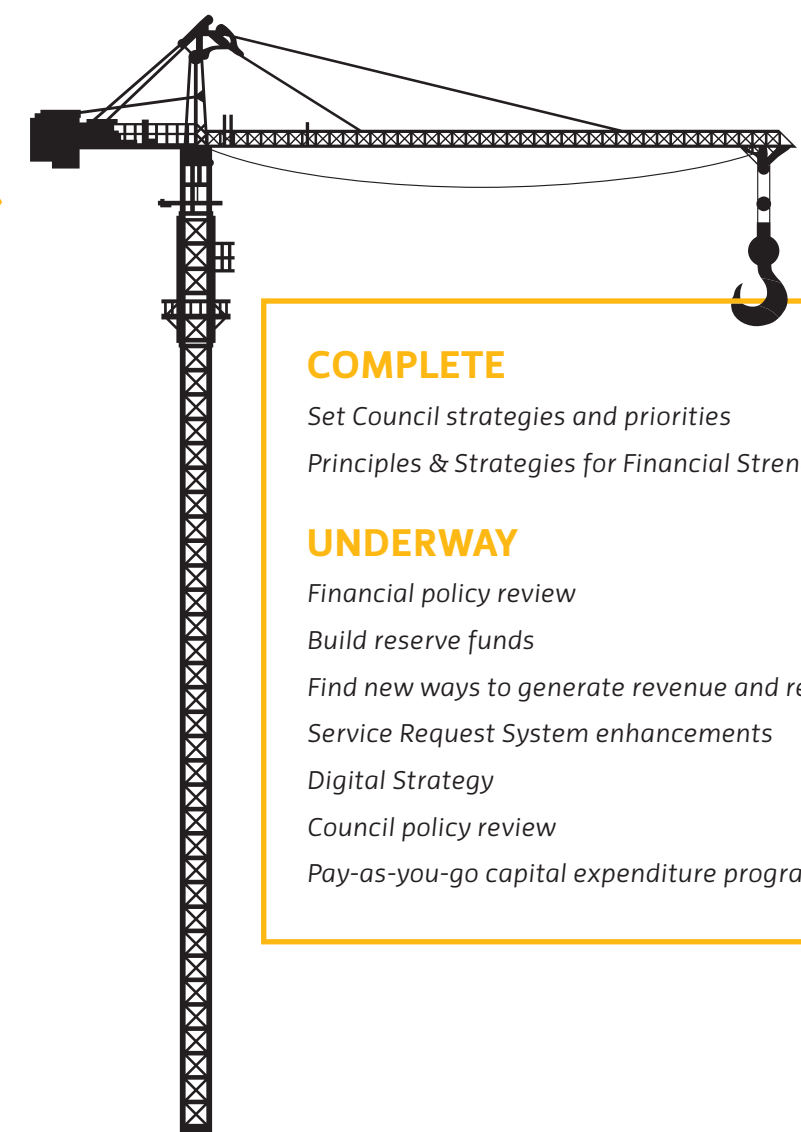


**Together,
we are building...**



A well-run City

The City of Kelowna will be well-run through strong financial management, performance excellence, responsive customer service, passionate public service, pioneering leadership and community engagement.

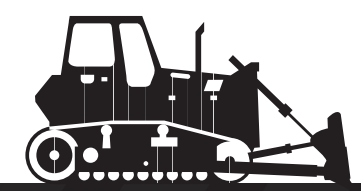


COMPLETE

- Set Council strategies and priorities*
- Principles & Strategies for Financial Strength & Stability*

UNDERWAY

- Financial policy review*
- Build reserve funds*
- Find new ways to generate revenue and reduce costs*
- Service Request System enhancements*
- Digital Strategy*
- Council policy review*
- Pay-as-you-go capital expenditure program*



City Council

The City of Kelowna is headed by an elected council, including a mayor and eight councillors, who serve four-year terms. Each member of Council represents the city at large. Council's role is to establish policies to guide the growth, development and operation of the city, set budgets and levy taxes to provide services.

City Council consists of Mayor Colin Basran and Councillors Maxine DeHart, Ryan Donn, Gail Given, Tracy Gray, Charlie Hodge, Brad Sieben, Mohini Singh and Luke Stack.

In September, Council set its priorities and committed to building on the momentum of past Councils and being open for opportunity through community engagement and partnerships. Council

will be consistent and transparent in its decisions, creating a favourable environment for customer service, development and business in Kelowna.

Mayor and Council give administrative responsibility to the City Manager who oversees City operations and ensures that staff work to meet community, corporate and Council priorities.

kelowna.ca/council

City administration

Eight City Divisions and the RCMP Superintendent report to the City Manager. Divisions are teams that deliver community services or corporate services. Community-focused divisions work to deliver civic services based on a plan, build and operate model. The Corporate side of the City provides support for the organization.



Kelowna City Council, L to R: Councillors Brad Sieben, Mohini Singh, Charlie Hodge, and Maxine DeHart, Mayor Colin Basran, and Councillors Gail Given, Luke Stack, Ryan Donn and Tracy Gray

City Manager Ron Mattiussi works closely with the City's Senior Leadership Team to make Council and community priorities a reality:

- Joe Creron - Civic Operations Divisional Director
- Doug Gilchrist - Community Planning & Real Estate Divisional Director
- Jim Gabriel - Active Living & Culture Divisional Director
- Stu Leatherdale - Human Resources & Corporate Performance Divisional Director
- Rob Mayne - Corporate & Protective Services Divisional Director
- Paul Macklem - Deputy City Manager and Strategic Services Divisional Director
- Alan Newcombe - Infrastructure Divisional Director
- Carla Weaden - Communications & Information Services Divisional Director

kelowna.ca/cityhall

career advancement, professional development, progressive employment practices and a competitive compensation and benefits package, with a focus on workplace wellness.

Supporting Kelowna's educational institutions, the City attended major career fairs at UBC Okanagan campus and Okanagan College, hiring nine co-op, 22 summer and six practicum students throughout the year.

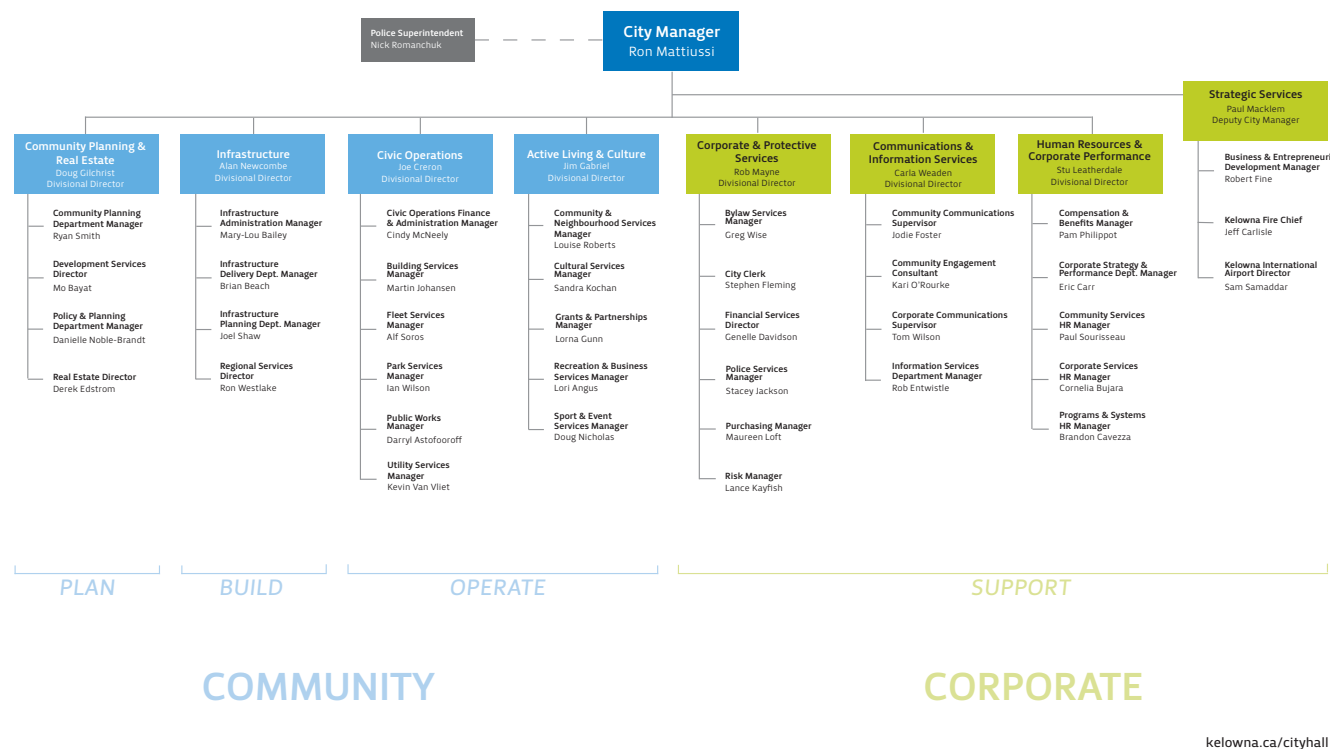
Career opportunities are posted to kelowna.ca/careers, Twitter, LinkedIn and through regular City e-updates.

Collective agreements

In 2015, the City of Kelowna ratified collective agreements for the Kelowna Fire Department and Kelowna International Airport. Both were long-term agreements at seven and five years respectively and come on the heels of a five-year agreement with the City's Civic employees last year. All of the agreements are cost effective while providing long- term stability for employees and citizens.

Group	Expiry date	Employees
CUPE Civic Local 338	Dec. 31, 2018	650
CUPE Airport Local 338	Dec. 31, 2019	27
IAFF Local 953	Dec. 31, 2019	125

Click to enlarge



kelowna.ca/cityhall



Watch this short animated video about the City budget process



Strong financial management

Pragmatic. Flexible. Sufficient. Transparent. Balanced. These are the principles for financial strength and stability adopted by Council in August. The Principles & Strategies for Financial Strength & Stability guide decision making within the City and contribute to the City's "ability to acquire and manage a portfolio of financial and physical assets that meet the current and future needs of our community."

Investment in technology

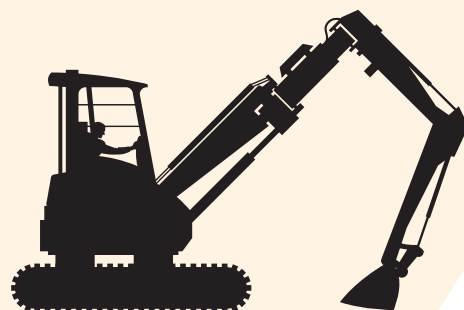
The volume of data municipalities and organizations need to move daily is growing, along with the demand for response times to be virtually instantaneous.

In 2015, the City continued work on its dark fibre network, connected more City facilities and offered the connection to local businesses and organizations needing to move large amounts of data, fast. The network anticipates and mitigates the rising costs of moving data (saves the City money), improves City service delivery by increasing online response times, and attracts investment from the innovation

and tech sectors. Rackforce, Bardel Entertainment and UBC Okanagan library are the first three private customers signed up to the network.

kelowna.ca/darkfibre

To meet the needs of an increasingly mobile world, City staff began work to strengthen the City's online presence with a "Virtual City" that is easy to use and provides residents with improved access to 24/7, self-serve options. Scheduled for delivery in late 2016, the City's new web platform will effectively deliver timely information and services to Kelowna residents while enhancing their access and ability to engage with the municipality.



Citizen Survey

In February, Ipsos Reid (on behalf of the City) conducted a statistically valid telephone survey of randomly selected Kelowna residents to determine citizen priorities for municipal spending, as well as their satisfaction with City programs and services.

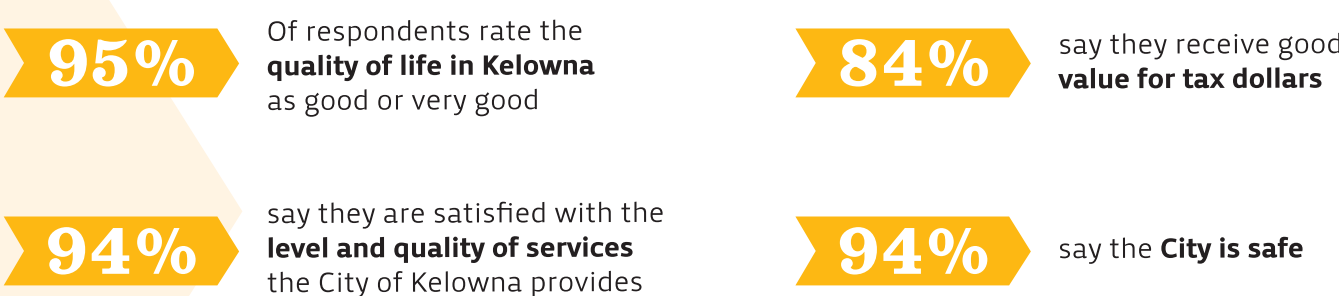
Top of mind issues for citizens include transportation (i.e. traffic congestion and condition of streets), social issues (i.e. affordable housing), and growth and development.

Get involved

Engaged communities are strong communities. With that in mind, staff interact with the public in many ways and are readily accessible to residents. Input is gathered regarding priorities for the community, land use planning, projects and initiatives. Public engagement exercises for the Civic Block Plan, Infill Challenge and 2030 Capital Plan took place in 2015.

kelowna.ca/getinvolved

Overall, responses were positive. For example:

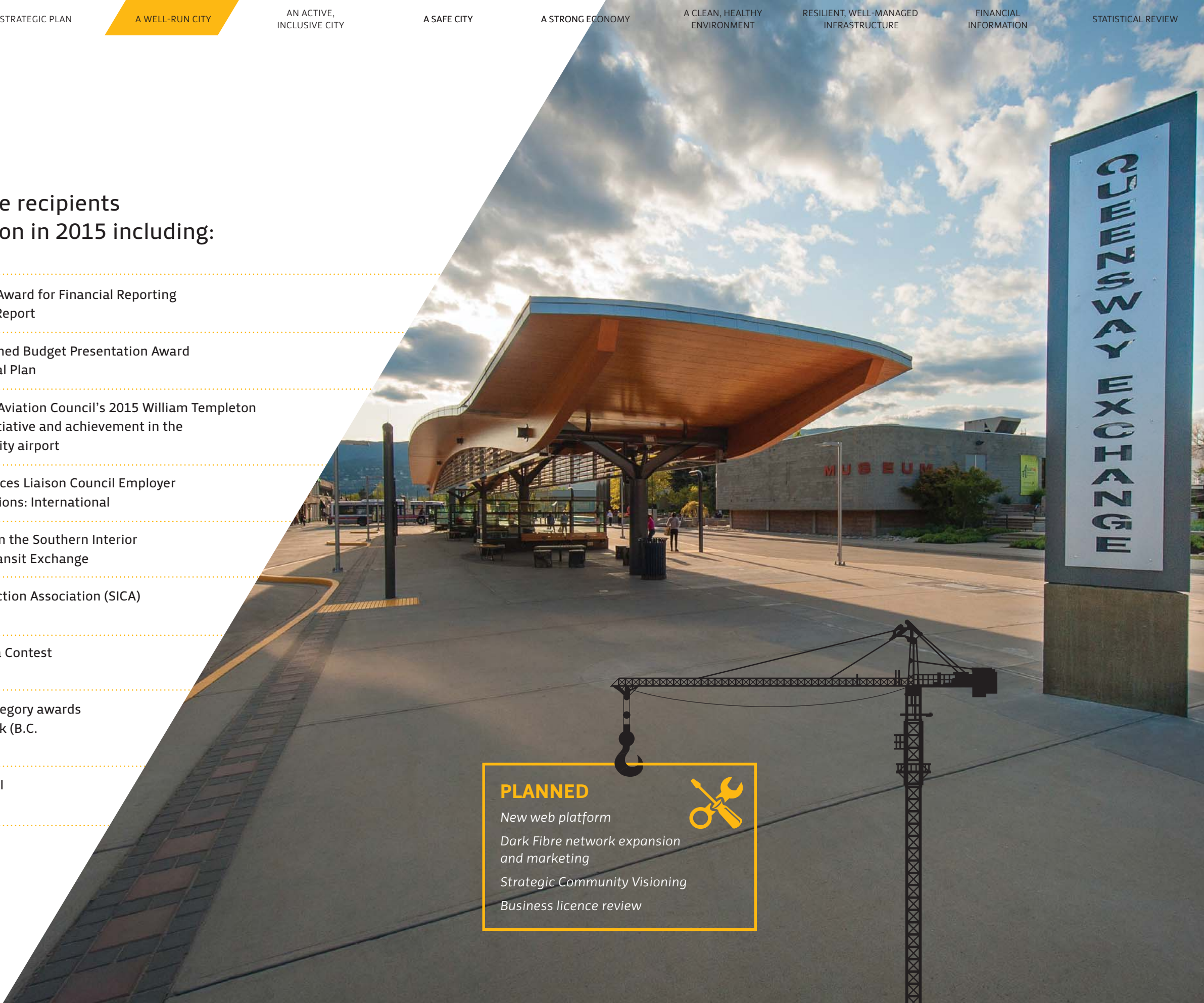


Watch this video about engagement for the Civic Block Plan

Awards & recognition

The City of Kelowna and its staff were recipients of a number of awards and recognition in 2015 including:

-  Government Finance Officers Association’s Canadian Award for Financial Reporting (for the thirteenth year in a row) for our 2014 Annual Report
-  Government Finance Officers Association’s Distinguished Budget Presentation Award (for the fourteenth year in a row) for our 2015 Financial Plan
-  Kelowna International Airport (YLW) received the B.C. Aviation Council’s 2015 William Templeton Trophy, which is awarded annually for outstanding initiative and achievement in the continuous and successful development of a community airport
-  Kelowna International Airport received a Canadian Forces Liaison Council Employer Support Award for Support to Canadian Forces Operations: International
-  An Award of Excellence (Community Institutional) from the Southern Interior Construction Association (SICA) for the Queensway Transit Exchange
-  An Award of Merit from the Southern Interior Construction Association (SICA) for Kelowna YMCA renovations
-  Canadian Institute of Planners, Great Places in Canada Contest for Stuart Park
-  Best presentation of theme and Local Government category awards for North American Occupational Safety & Health week (B.C. chapter)
-  WorkSafeBC Certificate of Recognition in Occupational Health & Safety



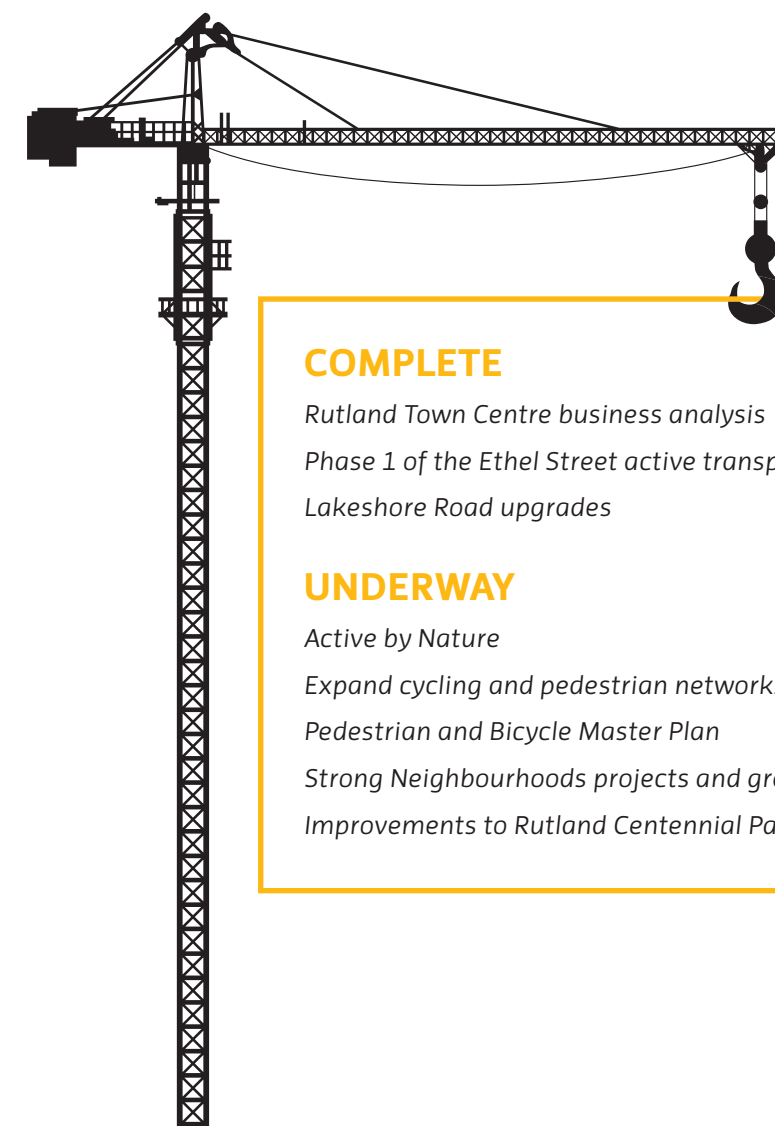
PLANNED 

- New web platform
- Dark Fibre network expansion and marketing
- Strategic Community Visioning
- Business licence review



An active, inclusive city

The City of Kelowna will build an active, inclusive city through active living opportunities, considering diverse community needs, housing diversity, strengthening neighbourhoods, providing spectacular parks, cultural experiences and honouring our history.



COMPLETE

- Rutland Town Centre business analysis
- Phase 1 of the Ethel Street active transportation corridor
- Lakeshore Road upgrades

UNDERWAY

- Active by Nature
- Expand cycling and pedestrian networks
- Pedestrian and Bicycle Master Plan
- Strong Neighbourhoods projects and grants
- Improvements to Rutland Centennial Park





Watch to learn
more about being
Active by Nature



Active by Nature

Say go. We dare ya. Launched in 2015, the [Active by Nature](#) program features an [interactive map](#), wayfinding signage and inspirational videos to get residents and visitors excited about the many ways to get active in Kelowna's great outdoors. Active by Nature highlights some of Kelowna's best and most stunning routes and trails to explore while cycling, running, walking, swimming, strolling, rolling, or whatever it is residents and visitors like to do outside.

More opportunities to get active

A \$1.7-million investment at Ethel Street included construction of a separated cycle track on both sides of the road (between Bernard and Harvey avenues), new sidewalks, landscaping and utilities improvements. Phase 2 of the [Ethel Street active transportation corridor](#) is scheduled for 2016. Eventually, the active transportation corridor on Ethel Street will connect with the Casorso, Rose, Sutherland and Cawston active transportation corridors, running north-south between downtown and the South Padosy Area with a number of schools, parks, health care institutions and businesses en route or nearby.

Upgrades to [Lakeshore Road](#) (between Dehart and McClure roads) were completed and included improvements to sidewalks, curb and gutter, street lighting, and other features similar to the previously completed Lakeshore Road improvements between Cook and Lexington roads. The road now contains two lanes with a centre left-turn lane, bike paths on both sides of the road, a multi-use pathway running along the west side and a sidewalk on the east side.

kelowna.ca/cityprojects

Strong Neighbourhoods

Together we're connected, building strong neighbourhoods. Kelowna is home to many diverse and unique neighbourhoods and the [Strong Neighbourhoods Program](#) is designed to help build connections and engagement in neighbourhoods.

In 2015, the City worked with residents to help build connections at the neighbourhood level through Strong Neighbourhood Pilot Projects, which included 11 Neighbourhood Events, 12 Neighbourhood Grants, the development of the Good Neighbour and Strong Neighbourhood Tool Kits, as well as the enhancement of the Strong Neighbourhoods web presence.



Watch to learn
about Strong
Neighbourhood
events and grants



Multi-age programming

The City of Kelowna offered a broad spectrum of multi-age programming for individuals of all abilities throughout the city in 18 schools, 10 City facilities, 15 sport fields/courts and 20 parks/trail/open spaces. Program highlights include:

- 4,500+ recreation programs with more than 32,000 participants
- 28 Family Active Nights, three Licensed Out of School Programs, Park & Play and Dancing in the Park
- 16 events with Neighbourhood Associations, School/Parent Advisory Councils, and Downtown Kelowna Association and Uptown Rutland Business Association

kelowna.ca/recreation

Housing for all

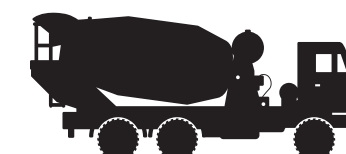
2015 was the first year the Rental Housing Grants program met the target identified in the 2012 Housing Strategy, receiving applications for more than 300 new rental units. Council approved grants to offset development cost charges for a total of 329 new purpose-built rental units, including 242 non-profit subsidized units.

Also this year, construction of 30 new rental units was completed at Mount Baldy Drive, and construction started on 46 new rental units at Dickson and Bedford Avenues.

Urban centres

An exploration of options for increased housing density began in 2015 with the [Infill Challenge](#). The project is looking for innovative infill housing ideas for the City's core neighbourhoods. By increasing the development and population in these areas, Kelowna will be closer to having complete neighbourhoods with housing choices for residents of all income levels. The "challenge" was put to developers, who were asked for proposals to develop urban areas while meeting three objectives:

1. Respect and complement the character of existing neighbourhoods,
2. Be economically viable, and
3. Meet overall growth and housing objectives.





Enhancing public spaces

As part of the community-inspired [Our Rutland](#) project, improvements at Roxby Plaza were completed, including custom-made metal trees with LED lighting, street furniture and decorative banners. The \$166,000 project was funded in part by the Uptown Rutland Business Association. These enhancements in combination with the addition of community market programming will continue to transform and catalyze the Rutland town centre as a place for neighbours and friends to connect.

The City officially acquired [Rutland Centennial Park](#) in February 2015. The 2.5-hectare park located adjacent to Rutland Centennial Hall has been an important gathering place for the community since 1939 and will be protected as parkland for future generations. Construction is scheduled for 2016 and includes a public soccer field and an accessible-for-all playground.

Phase 2 of [Stuart Park](#) was completed, which extended the waterfront promenade downtown, increased green space, and included the installation of a fire

pit beside the ice rink (winter usage only). Stuart Park won the Canadian Institute of Planners Great Places in Canada Contest, which is determined by a panel of professional Planners. According to the Great Places website, “a planned public space is successful when it invites people to visit and socialize in a safe and attractive environment. It is a community hub, an individual place having a distinct character and providing the capacity for a variety of activities, both organized and un-planned.”

Expanding Kelowna’s waterfront access by three acres, the City of Kelowna acquired a significant property on Lakeshore Road for a future beach park with public amenities.

kelowna.ca/cityprojects

Getting cultured

For more than 50 years, people have been entertained and inspired by their peers, first class presenters and performers from around the world at the [Kelowna Community Theatre](#). In 2015, 2,580 performers graced the theatre stage in 156 different events, providing entertainment to 81,010 attendees.

Event highlights include Burton Cummings, Stuart McLean, The Next Step Dancers, New York Ballet, Bandidos Cerveza with 22-piece symphonic orchestra, and two world premiere plays: *Raft of the Medusa* and *Snow! A Frosty Fairy Tale*.

kelowna.ca/theatre

The second year of the national artsVest™ program in Kelowna, took place, generating 65 business sponsorships valued at \$234,478 for 17 cultural organizations; which was matched by \$71,635 in incentive grants, providing a total benefit to the local cultural community of \$306,113.

Running Sept. 25-27, [Culture Days](#) saw more than 3,000 participants in 42 activities that provided free access to arts, culture and heritage experiences. Activities including music performance, a human library that offers people as books, painting and sketching classes, a traditional Chinese Moon Festival and guided cultural crawls. Kelowna is one of 900 Canadian communities participating in national Culture Days celebrations. Culture Days is proven to increase participation in, and support of,

local arts, culture and heritage offerings. Kelowna ranked fifth in British Columbia for the number of registered activities and ninth across Canada for similar-sized communities.

From Oct. 27 to 29, Kelowna hosted more than 170 delegates for the Creative City Network’s annual Creative City Summit. The Summit ended with a keynote presentation by Charles Montgomery, author of *Happy City: Transforming our Lives Through Urban Design* to a packed house at the Rotary Centre for the Arts.

kelowna.ca/culture



41st Annual Civic & Community Awards

Kelowna's Civic and Community Awards honour individuals and organizations for outstanding contributions and achievements in 2015 that directly benefitted the community, making Kelowna a better place to live, work and play.

The following recipients were recognized at the awards gala on April 27, 2016 at the Kelowna Community Theatre.



Arts Awards

Honour in the Arts
Rosemary Thomson

Teen Honour in the Arts
Lauren Maier

Sports Awards

Bob Giordano Memorial
Dennis Richardson

Bryan Couling Memorial Athletic Team of the Year
Kelowna Rockets 2014/2015 Hockey Club

Male Athlete of the Year
Will Dean

Female Athlete of the Year
Kierra Smith

Augie Ciancone Memorial - Male
Parker Simson

Augie Ciancone Memorial - Female
Ellie McCarthy

Citizenship Awards

Young Male Citizen of the Year
Stuart Isherwood

Young Female Citizen of the Year
Maya Gay

Champion for the Environment
(individual and business)
Hugh Westheuser and Unless Market

Corporate Community of the Year
(small/medium and large)
Boyd Autobody & Glass and Valley First Credit Union

Fred Macklin Memorial
Man of the Year
Raghwa Gopal

Sarah Donalda Treadgold Memorial
Woman of the Year
Lorena Mead

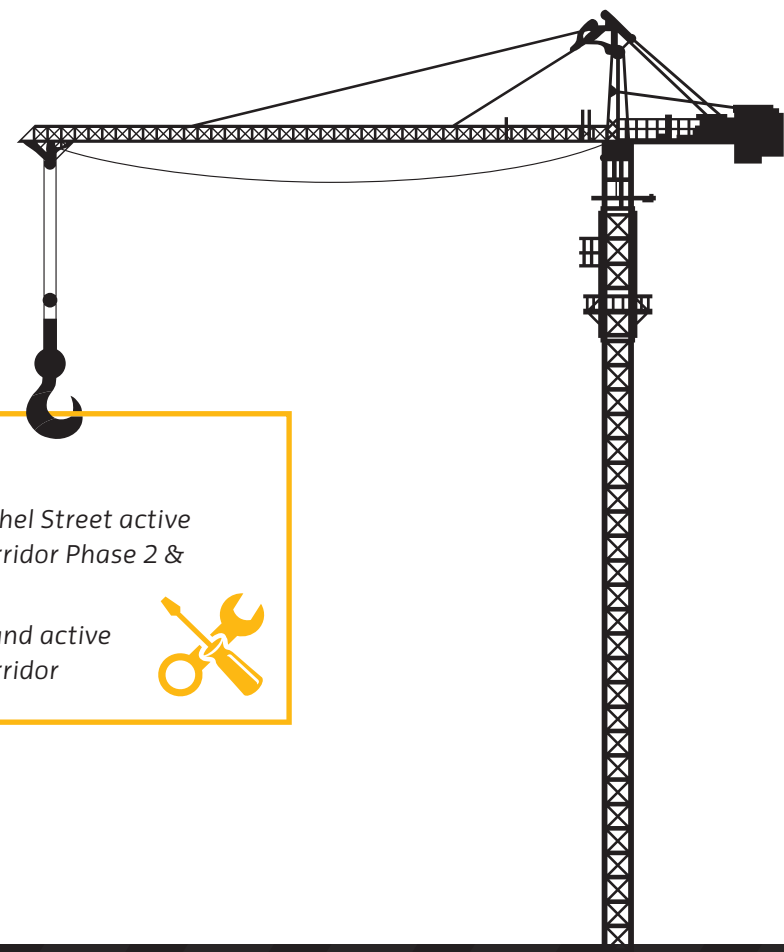
Volunteer Organization of the Year
Hands in Service

Anita Tozer Memorial
Sharon Shepherd

Freedom of the City

In April 2015, Freedom of the City awards were presented to three former City Council members:

Walter Gray
Andre Blanleil
Robert Hobson



PLANNED

Construction of Ethel Street active transportation corridor Phase 2 & design of Phase 3

Design of Sutherland active transportation corridor





A safe city

The City of Kelowna will build a safe city through public safety programs, fire protection & prevention, effective & targeted policing, flood protection, clean drinking water and maintaining order.



COMPLETE	
<i>Additional RCMP members</i>	
UNDERWAY	
<i>Crime management strategy</i>	
<i>Police Services Building Project</i>	



During a historic snow event in January, crews worked around the clock to keep roads clear, even as the snow continued to fall.

Increasing safety

For the second year in a row, Kelowna's crime rate dropped, bringing the Kelowna Census Metropolitan Area (CMA) to fourth from third in Canadian CMAs.

Kelowna has the highest rate of drug enforcement in the country because the Kelowna RCMP aggressively targets prolific offenders.

Theft from vehicles was a significant issue in 2015, so Police Services launched *Don't be an easy target*, an awareness campaign reminding residents to remove or hide valuables and lock vehicle doors. This program was in addition to the Kelowna RCMP's regular anti-theft reminder program.

kelowna.ca/police

Police Services building

A ground-breaking ceremony on Sept. 9 marked the beginning of construction for the new Police Services building. The new facility will provide a centralized detachment, improving the efficiency and effectiveness of police services in Kelowna, and provide flexibility for long-term growth. Features of the building include office space, meeting rooms, staff areas, exhibit storage, forensic workspaces and equipment, secure communications and computer services, plus a cell block containing 29 detention cells. Completion is slated for mid-2017.

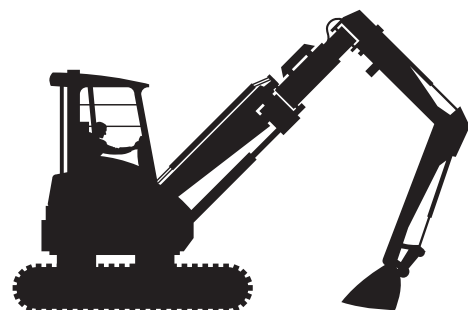
Fire safety & prevention

Emergency Management training and familiarization sessions were conducted for 150 staff members from the Regional District and local municipalities. This training was put to good use when the regional Emergency Operations Center (EOC) was activated four times for wildfire events (Joe Rich, Bear Creek, Shelter Cove and Knox Mountain) and for a bomb threat at Orchard Park shopping center.

With the goal of preventing fires, the Kelowna Fire Department conducted more than 200 public education events with more than 11,000 participants. FireSmart Community Recognition Program assessments were completed for Quail Ridge, Gallagher's Canyon & McKinley Landing, which provide property owners with information on how to better protect their homes from the risk of wildfire.

Under the Community Wildfire Protection Plan, 10 hectares of forest were treated to reduce the risk of forest fire.

kelowna.ca/fire



Traffic calming

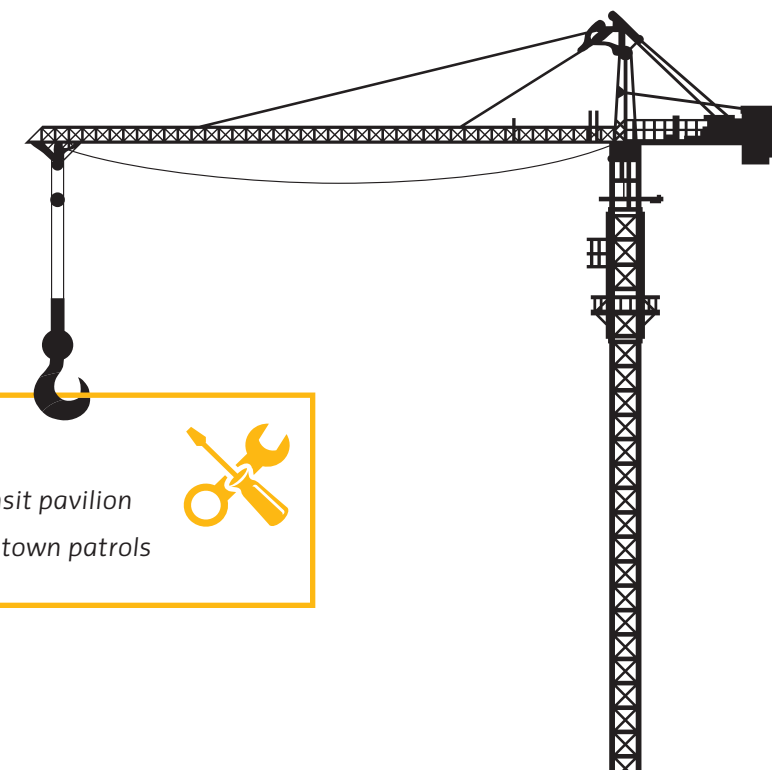
A number of measures were taken to increase safety on Kelowna roads: speed humps were installed on Terai Road; a shortcutting study was completed and speed humps were installed on Graham Road; Dougall Road South traffic calming measures were implemented; pedestrian safety flashers were installed in four locations; speed display boards were used on a rotating basis on many collector and arterial roads to increase speed awareness.

Managing "snowmageddon"

During a historic snow event in January, crews worked around the clock to keep roads clear, even as the snow continued to fall. More than 1,600 lane kilometres were cleared on a priority basis – meaning that Priority 1 (arterial) and Priority 2 (collector) roads had to be maintained before moving on to Priority 3 (local roads). The City received more than 425 snow-removal related service requests over a four-day period, the majority of which came from Priority 3 areas.

After the January snow event, the City met with the Province to discuss challenges and improvements to service on Highway 33 and 97. The event also led to the creation of an Extreme Snow Fall Protocol, establishment of a central call centre in the event of an extreme snow fall and implementation of Snow Routes.

kelowna.ca/transportation



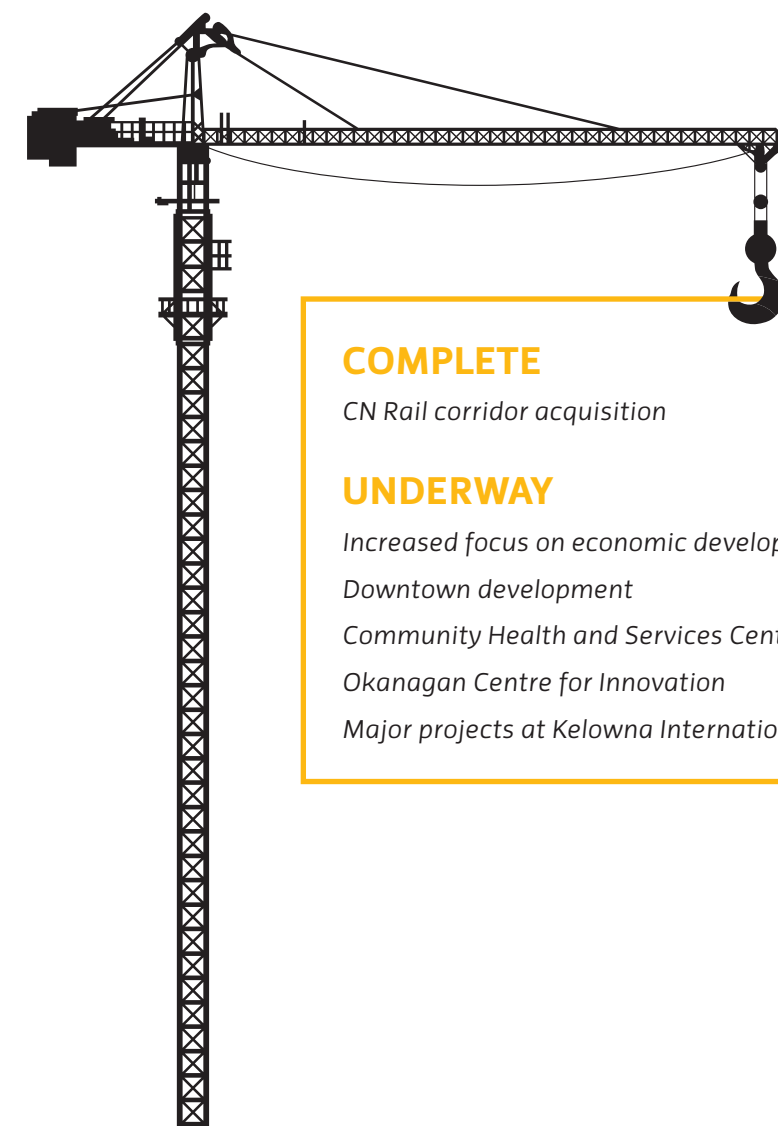
PLANNED

Queensway transit pavilion
Additional downtown patrols



A strong economy

The City of Kelowna will build a strong economy through international airport development, business development, open, transparent & consistent governance, building & maintaining partnerships, healthy & productive agriculture, fostering higher learning, and tourism interest.



COMPLETE

CN Rail corridor acquisition



UNDERWAY

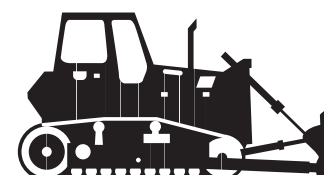
Increased focus on economic development activities

Downtown development

Community Health and Services Centre

Okanagan Centre for Innovation

Major projects at Kelowna International Airport



Continued growth at YLW

It was another big year at Kelowna International Airport (YLW), with 1.6 million passengers. Growth is on track with the airport's medium range Master Plan 2025 forecast and ties with 2014 for the highest number of annual passengers in its history.

In March, YLW engaged SNC-Lavalin to update the Master Plan 2025. The updated Master Plan 2045 will be a key strategic planning tool to guide future airport development. It will identify what must be done to meet community and aviation industry needs in the most cost-effective way, while considering environmental and socio-economic impacts.

In other airport news, YLW extended its Head Lease with the Government of Canada for an additional 20 years to 2054 and added new service to Varadero, Cuba and Victoria, B.C. In total, YLW offers more than 20,000 seats every week. 2015 saw the start of several development projects, including the new Outbound Baggage facility, a new glycol facility, the expansion of Apron 1 and Phase 1 of the Departures Lounge renovations, which added a bright and open retail store, business centre and Kid's Zone.

ylw.kelowna.ca

Development & business

The City of Kelowna reviewed and processed in excess of 700 development applications in 2015. Highlights include approval of the first mixed-use Industrial/ Residential development, and tax and development incentives that spurred multiple rental housing projects, providing more than 350 rental units.

Staff initiated a new fast-track permit service in many building permit application categories for smaller projects. Kelowna is the only known B.C. municipality to have a fast-track system in place. In 2015, the number of fast-track permits issued within two days increased by 22 per cent.

Construction value

	2014 Year End	2015 Year End
Construction Value (<i>millions</i>)	\$ 350	\$ 463
Permits	6,854	7,228



The City of Kelowna issued 9,801 business licences in 2015, an increase of 550 over 2014 numbers. Like other growing mid-sized cities, businesses in Kelowna range widely from auctioneer to casino, contractor to dining lounge, and bed & breakfast to photographer, along with a range of professional services from dentist to engineer.

kelowna.ca/business

Special events

City staff supported and helped groups host more than 60 tournaments and special events in Kelowna arenas and sportsfields, including Lacrosse Provincials, Pickleball Nationals, Futures Tennis Tournament, Ringette Sweetheart Tournament, Major Men's Hockey Tournament, and Sunflicker Ultimate Frisbee Tournament.

Over the summer, Kelowna was host to a number of high profile events:

- Canada's largest open water swim, The Across the Lake Swim was ranked as the 15th best open water swim in the world. The 2015 event sold out with 1,200 participants (up from 900 in 2014).
- The Apple Triathlon had another successful year with 1,200 participants racing over three days.
- The Okanagan Pride festival continued to grow with its largest numbers yet.
- Several new events took place, including Arts on the Avenue, Paddle for Prevention, Kelowna Scooter Festival, Kelowna General Hospital Perinatal Event, Hard Knox 12km Run, Little Women for Little

Women Run for Peace and the Great Canadian Bacon Chase.

- The Wine Country Half Marathon was held for the third year. Beautiful weather and scenery led to a successful event.

The City also won a bid to host the 2019 55+ BC Games, formerly known as the BC Seniors Games, which is an annual, multi-sport event hosted by a different B.C. community each year. The Games are poised to bring an estimated \$2 million in economic activity to the city, drawing approximately 3,800 athletes participating in more than 25 sports.

kelowna.ca/recreation

Community connections

The City of Kelowna partnered with the District of Lake Country, the Regional District of North Okanagan and the Province of British Columbia to purchase the discontinued CN railway running from Coldstream to Kelowna. Plans for the trail are to create a multi-modal regional transportation corridor that will connect Okanagan communities and provide even more ways to explore our great outdoors.

kelowna.ca/cityprojects

Partnerships

The City continued to develop new and existing partnerships to help provide more and better services to the residents in Kelowna. Partnerships range from neighbourhood level (as with the Strong Neighbourhoods Program) to private industry, other municipalities and other levels of government.



Watch to learn about the City's building permit process

Kelowna BuildSeries Building Permits





The City of Kelowna issued 9,801 business licences in 2015, an increase of 550 over 2014 numbers.

In 2015, the City finalized a partnership to facilitate the construction of the Okanagan Centre for Innovation. The centre will house everything from two-person start-up companies to large technology and innovation firms, promoting a synergy that supports research, collaboration and informed dialogue to more quickly bring technology solutions from idea to market.

Construction on the new Memorial parkade started in September and will accommodate staff at Interior Health's new Community Health and Services Centre at the corner of Doyle Avenue and Ellis Street. Bringing nearly 800 jobs into the downtown area will also stimulate business, transit and housing in the area.

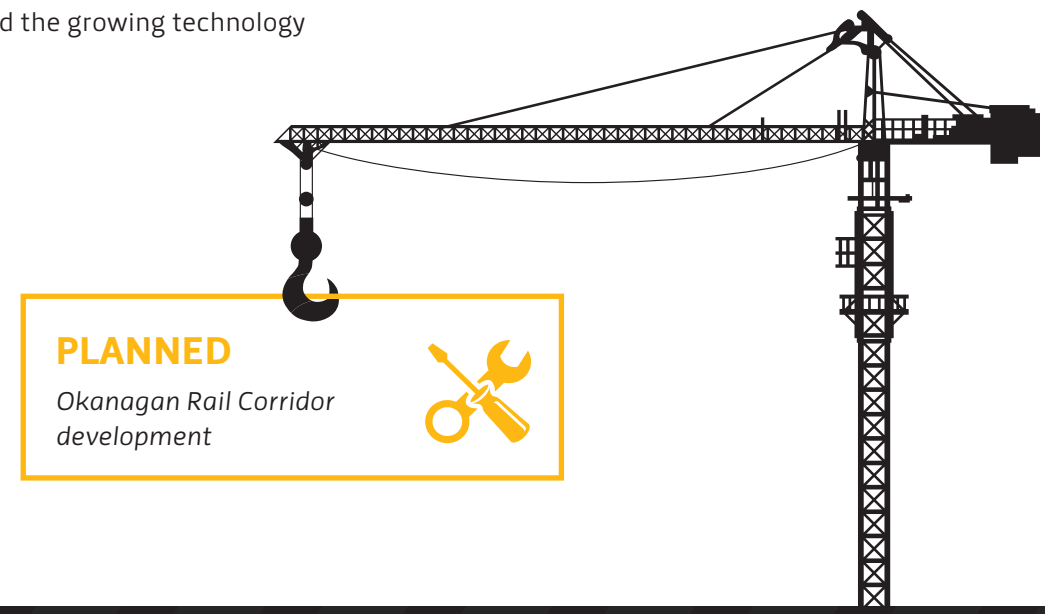
In a partnership with the Canucks' Autism Network (CAN) to use Parkinson Recreation Centre, the City of Kelowna offered the Okanagan's first site featuring CAN event nights for families affected by autism to network and get active together.

Economic development
 In collaboration with the City, the Central Okanagan Economic Development Commission (COEDC) facilitates economic growth by supporting local businesses, and attracting new people, companies and investment to the region. As a way to raise awareness about the entrepreneurial spirit of the region, especially around the growing technology

industry, the COEDC developed and distributed the Make it Here brand and video.

The Okanagan is the third-largest technology centre in B.C., employing more than 6,500 people with an economic impact of more than \$1 billion. The City of Kelowna, through its partnership with the COEDC, facilitated business enhancement and investment attraction activities including:

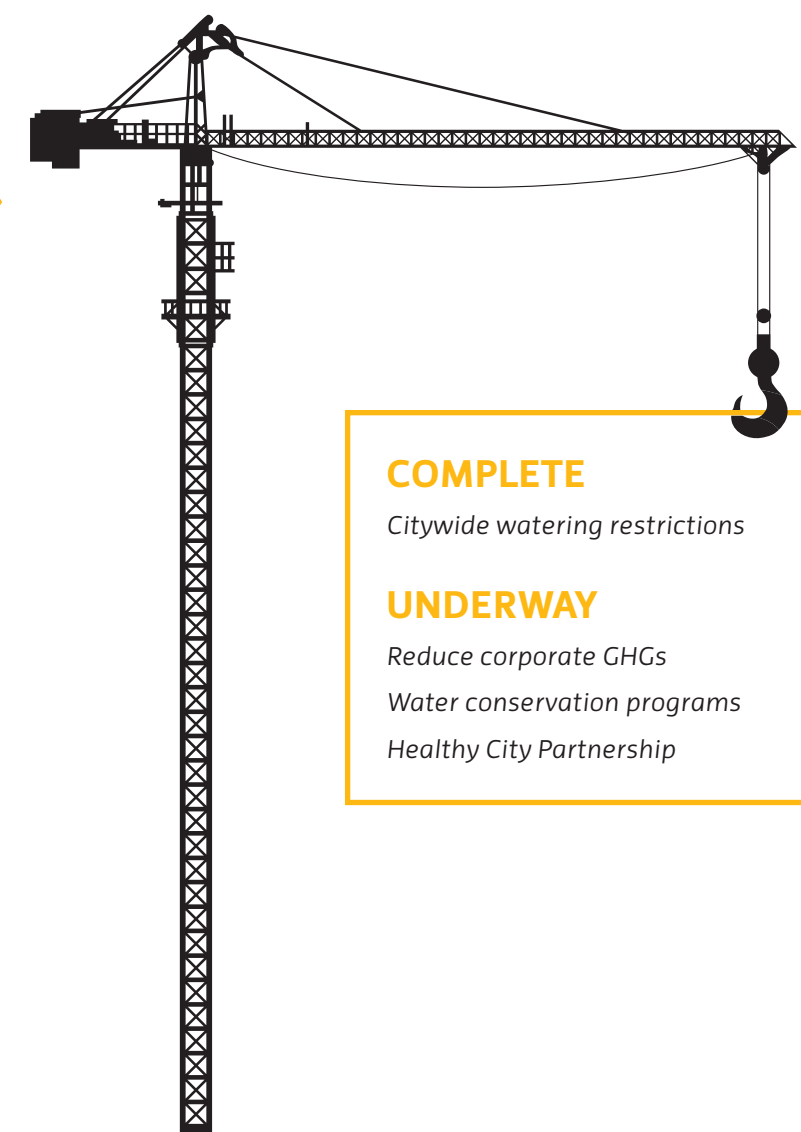
- A partnership with Accelerate Okanagan
- Support and local business connections facilitated at Metabridge
- Development of a Human Resources Strategy and Implementation Plan: Central Okanagan Workforce Development Project
- Partnerships with the Ministry of International Trade; programs for 2016 include Siggraph (the 43rd international conference and exhibition on Computer Graphics & Interactive Techniques) and Game Developers Conference
- Involvement with Okanagan College, 2D Animation Program Advisory Committee
- Development and planning of Economic Opportunities to 2020





A clean, healthy environment

The City of Kelowna will build a clean, healthy environment through improved air quality, energy conservation, greenhouse gas reduction, protecting our natural land & water resources, solid waste reduction, and water conservation.



COMPLETE
Citywide watering restrictions

UNDERWAY
Reduce corporate GHGs
Water conservation programs
Healthy City Partnership





Partnerships for health

The City of Kelowna worked with Interior Health Authority, Division of Family Practice and other community organizations on chronic diseases self-management, preventative health and community health initiatives including:

- Allied Health Navigator Service, which assisted more than 600 individuals
- Move for Your Health Programs, which delivered more than 40 programs
- A \$7,200 grant from the Interior Health Authority Integrated Primary and Community Capacity Fund to develop and deliver the Move for Your Health – Neurological Program

As part of the Healthy City Partnership among the City of Kelowna, UBC Okanagan and Interior Health, the first research project was completed, focusing on sustainable growth options relating to housing and greenhouse gas (GHG) reductions. The study evaluated four planning scenarios for Kelowna’s future urban form and associated GHG emissions for target year 2040.

Clearing the air

Transportation accounts for 65 per cent of Kelowna’s Greenhouse Gas emissions. 2015 saw a variety of transportation projects underway or completed that will help lower these emissions, including the Queensway and Pandosy Centre transit exchanges, Ethel Street Active Transportation Corridor, and the draft Pedestrian and Bicycle Master Plan.

Bike to Work Week 2015 marked the twelfth year that Kelowna participated in this high-energy event, bringing people together to celebrate spring, community, camaraderie and cycling. The Central Okanagan achieved a 31 per cent increase in the number of total cyclists over last year, which is more than the provincial average of 27 per cent. A total of 69,709km were cycled by 2,171 participants, preventing 16.2 tons of greenhouse gas emissions over the course of the week.

Carpool Month facilitates change in alternative transportation behaviour by increasing awareness of carpool resources and connecting commuters. Based on survey results collected in 2015, there was a 6.18 per cent growth in carpooling in the Okanagan between September and November.

Kelowna residents purchased 450 trees at a reduced price through the spring NeighbourWoods program. The program encourages residents to help grow Kelowna’s urban forest to improve air quality, as trees remove atmospheric carbon dioxide, absorb pollutants and produce oxygen.

Energy retrofit projects began at multiple City facilities, including the design for a refrigeration heat recovery, boiler replacement and controls upgrade project at Rutland Arena, which will be completed in 2016. Various ongoing lighting and equipment upgrades will reduce energy consumption and greenhouse gas emissions.



City of Kelowna | 2014 Annual Report | Staff Stories

Watch the landfill gas capture video from last year’s annual report

Recycling gas

As a follow up to the landfill gas capture story in the City’s 2014 Annual Report, methane from the Glenmore Landfill is now being rerouted to the Fortis Gas plant. Composed of 50 per cent methane, landfill gas is an ideal energy source and is captured through a recovery system of underground pipes. Fortis BC Energy Inc. will buy the landfill’s raw gas and, through its Fortis Gas Plant, will convert the gas to pipeline natural gas quality. When converted to pipeline quality gas, the landfill gas becomes bio-methane.

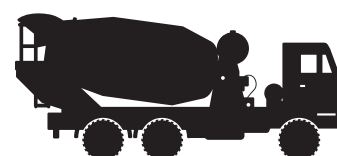
safer handling of materials and greater sustainability of the product.

When the province declared a Stage 4 drought in the Okanagan in 2015, the City of Kelowna instated odd/even watering restrictions for City water customers – the first since 2010. In October, City Council approved year-round water restrictions to be consistent with rules and processes for all Kelowna and Okanagan Valley users, to enhance the culture of conservation and promote healthier, more resilient lawns.

kelowna.ca/watersmart

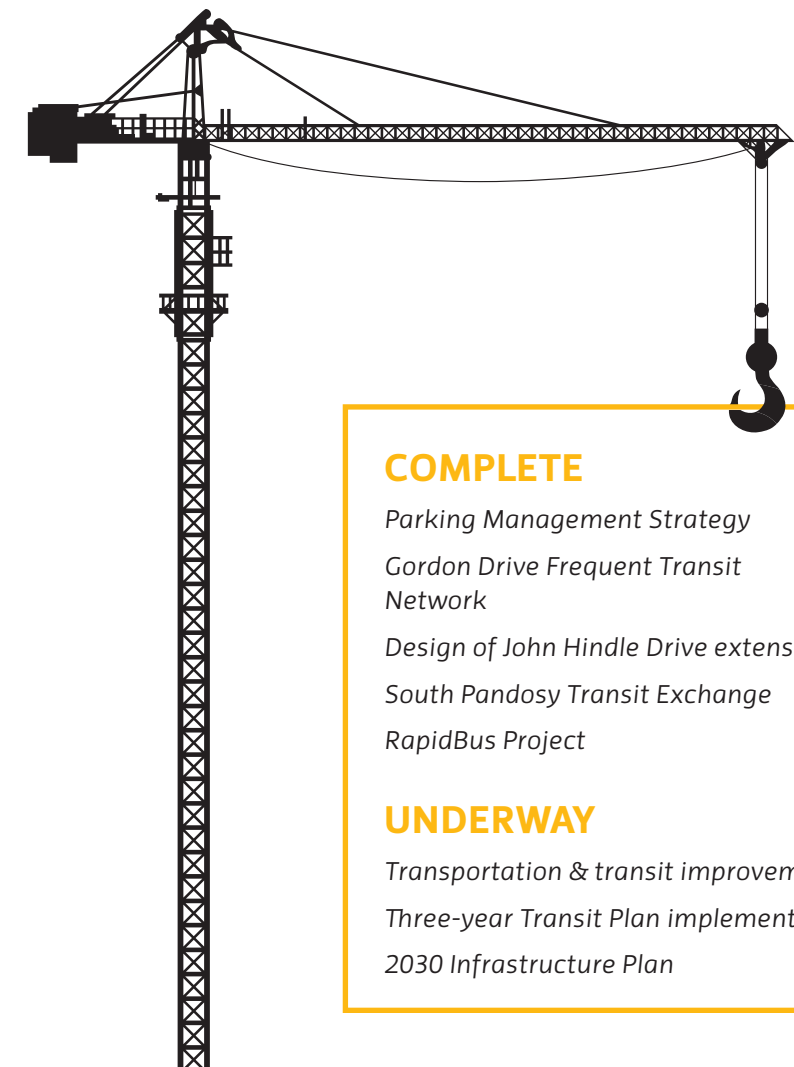
Water matters

Construction of Adams Reservoir Ultraviolet Treatment facility was completed, the last step in ensuring that all four of the City of Kelowna water intakes have two barrier disinfection systems, meeting full compliance with Interior Health Authority conditions. Two barrier disinfection includes two methods for water disinfection – first ultraviolet and second, chlorine. The project also included enabling the City to produce its own chlorine, which results in less transportation of materials through residential neighbourhoods,



Resilient, well-managed infrastructure

The City of Kelowna will build resilient, well-managed infrastructure through planning excellence, balanced transportation systems, livable urban density, distinctive community identities, well-maintained utilities, efficient civic buildings & facilities, and connected communities.



COMPLETE

- Parking Management Strategy*
- Gordon Drive Frequent Transit Network*
- Design of John Hindle Drive extension*
- South Pandosy Transit Exchange*
- RapidBus Project*



UNDERWAY

- Transportation & transit improvements*
- Three-year Transit Plan implementation*
- 2030 Infrastructure Plan*





Parking management

Construction began on two downtown parkades – an expansion of the Library Parkade as well as the new Memorial Parkade. As a result, the City implemented an Interim Parking Strategy for Downtown Kelowna.

Full implementation of the South Pandosy Parking Plan was completed. The City took an active role in managing parking in an area that needed greater restrictions and completed construction of the expanded Osprey-McKay Parking Lot.

kelowna.ca/parking

Transit improvements

In 2015, major transit exchange facilities at Queensway and Pandosy Village were completed, fulfilling City commitments to BC Transit and Build Canada funding partners.

In the fall, construction began on six new transit stops to improve customer accessibility and comfort. Of particular interest is the new bus bay being constructed on Pandosy Street at Kelowna General Hospital. It is the second of three stops being developed at this major employment and community hub. Completion of these stops is anticipated for March 2016.

Transit implemented a fare increase applied to all passes, better reflecting the price of transit service of similar-sized systems in BC and Canada. Kelowna Regional Transit saw a growth in ridership in the last four months of 2015. University of British Columbia

students approved, by referendum in November 2015, the continuation of the U-Pass Program, with a fare increase that will come into effect in September 2016.

kelowna.ca/transit

Infrastructure extensions & upgrades

Major intersection upgrades at Lawrence Avenue and Pandosy Street were completed, including Kelowna’s first ever rainbow crosswalk. Another significant project was the realignment of Rose Avenue at Richter Street with a new traffic signal, bike lanes and upgrades to water and sewer infrastructure.

The detailed design assignment was awarded for John Hindle Drive. Construction is slated to start in 2016 and be completed in 2017.

Focus on urban centres

The Urban Centres Roadmap project began by identifying key principles and establishing the direction for how to transform and revitalize Kelowna’s five urban centres in years to come. Key deliverables for the project include developing planning principles that will build consensus, setting performance targets that will guide future urban centre planning, identify priorities for future capital planning, enhance development application review criteria, and establishment of a prioritization matrix to inform phasing of future urban centre plans.

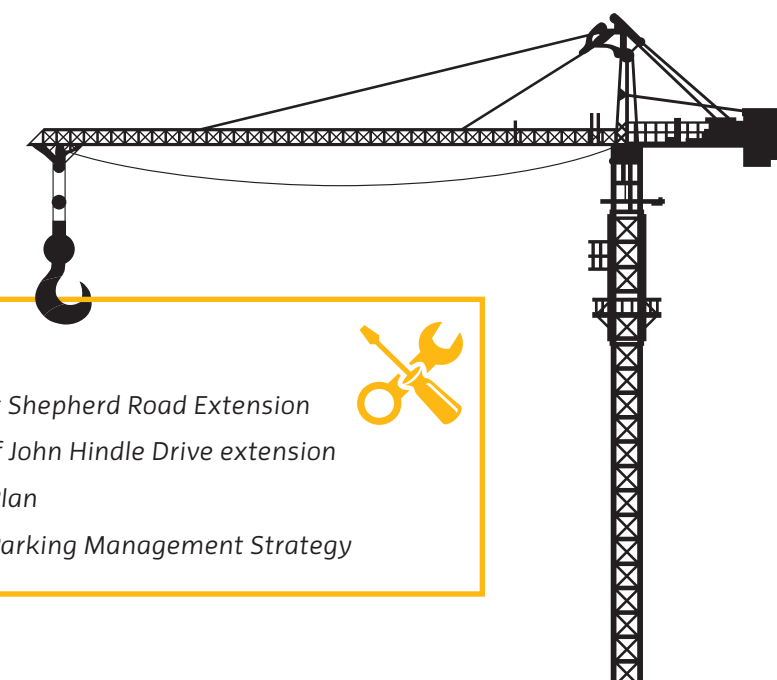
2030 Infrastructure Plan

Public engagement to help inform the City’s 2030 Infrastructure Plan took place in 2015. An online budget allocation tool was available from Nov. 12 into the New Year and invited participants to experience firsthand what it’s like to be the decision maker. Online engagement asked where

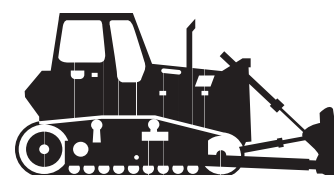
residents would invest infrastructure dollars in the long term and simulated the experience of balancing the annual funding for parks, civic and recreation buildings, transportation, storm drainage, equipment and solid waste over the next 15 years.

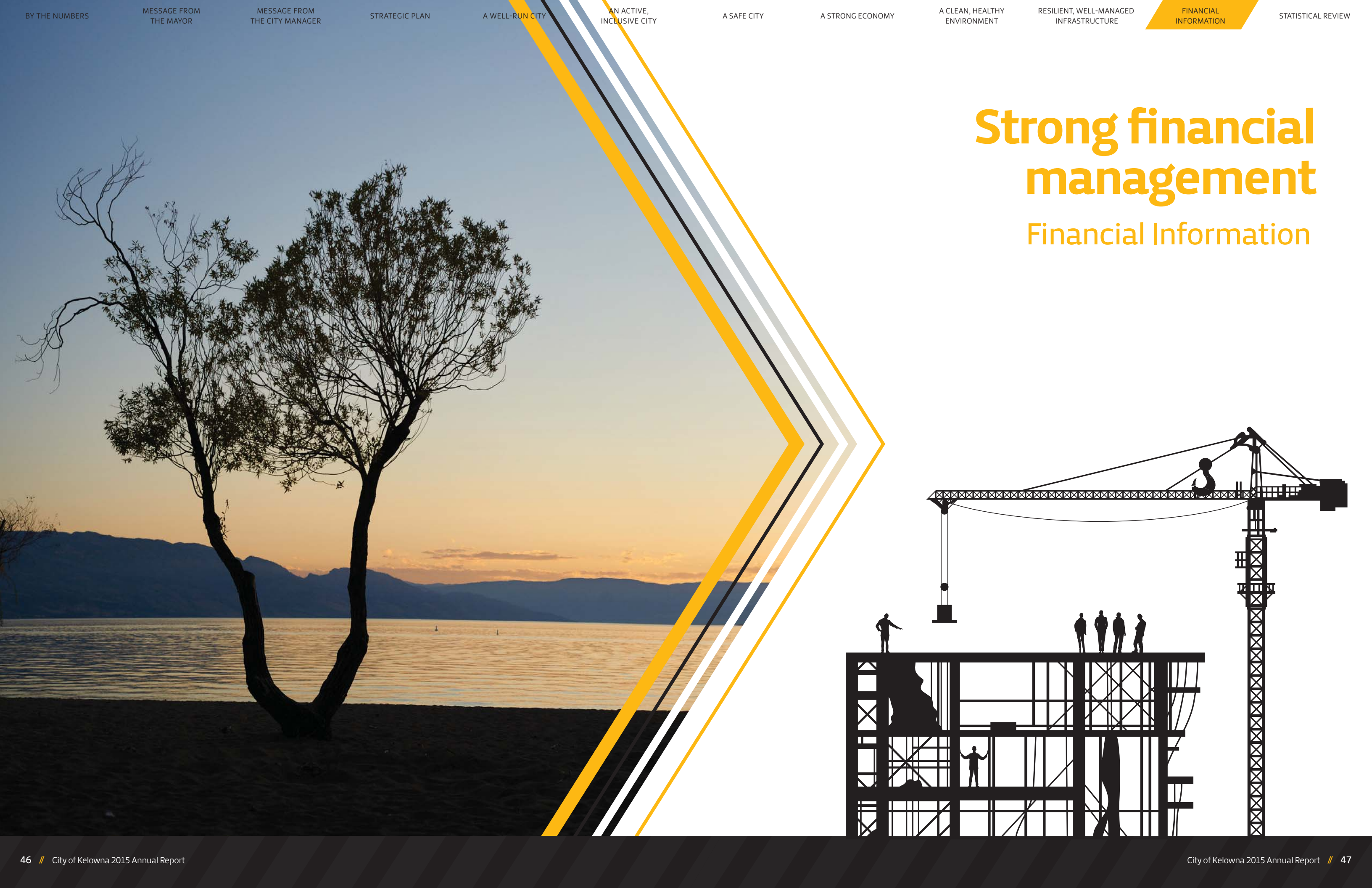


Watch to learn more about engagement for the 2030 Infrastructure Plan



- PLANNED**
- Rutland Transit Shepherd Road Extension
 - Construction of John Hindle Drive extension
 - Hospital Area Plan
 - Hospital Area Parking Management Strategy





Strong financial management

Financial Information

Strong financial management

Financial Services

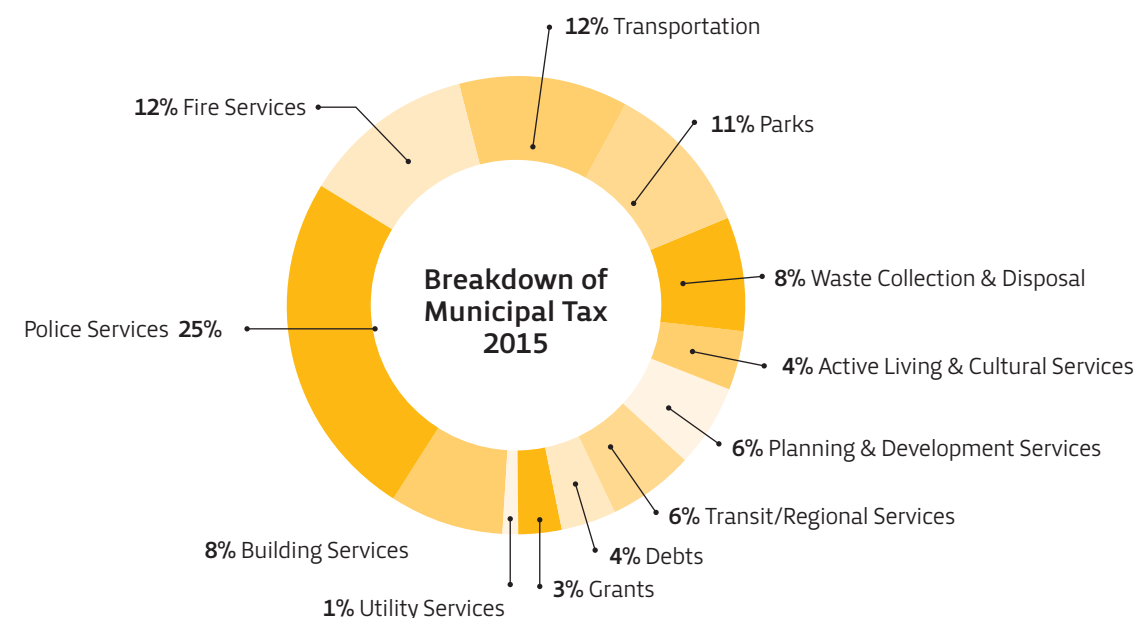
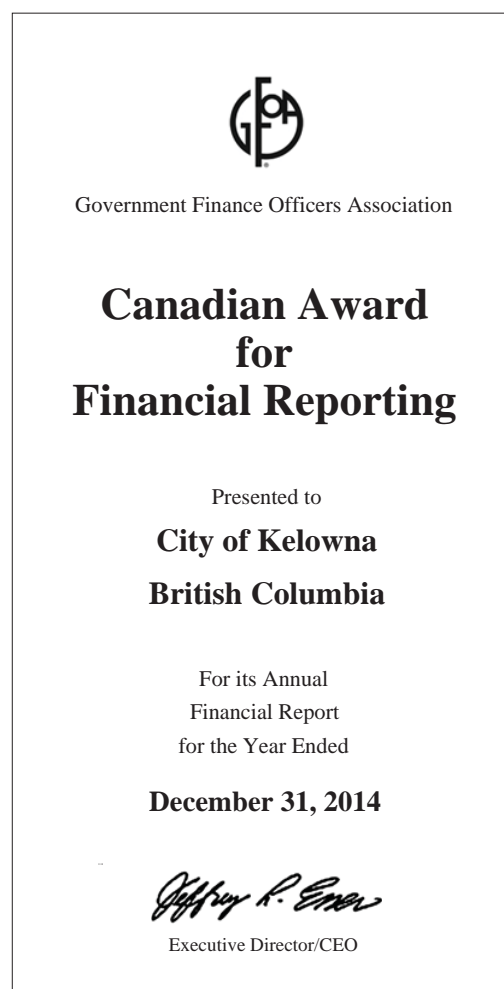
The City of Kelowna is committed to providing the services, infrastructure and amenities expected by citizens of Kelowna in a conscientious and cost-effective manner. This commitment to excellence was recognized again by the Government Finance Officers Association. In 2015 and for the fourteenth year in a row, the City was awarded the Distinguished Budget Presentation Award and, for the thirteenth year, the Canadian Award for Financial Reporting.

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, 2014. 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 2015 taxation increase averaged 3.20 per cent for all property classes, an increase to reflect the costs of the new Police Services building and RCMP contract increases but still support the current level of services delivered to the citizens of Kelowna. 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.

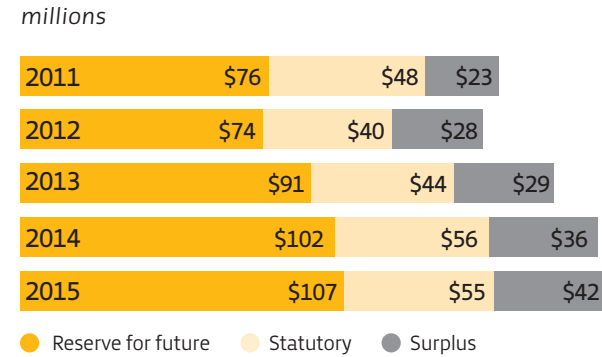
The City budgeted to collect a total of \$215.8 million in taxation revenues, 53 per cent of which was retained for municipal purposes. The remaining 47 per cent is levied on behalf of other governments and agencies to provide funding for schools, for the Regional District of Central Okanagan for shared services, for Kelowna business improvement areas and for BC Assessment to cover the City's share of the 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 2015, 4.8 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. Annual debt repayment costs are anticipated to increase above five cents over the next five years based on the 2030 Infrastructure Plan. Pay-as-you-go capital project funding represented 11 per cent of the 2015 taxation requirement.

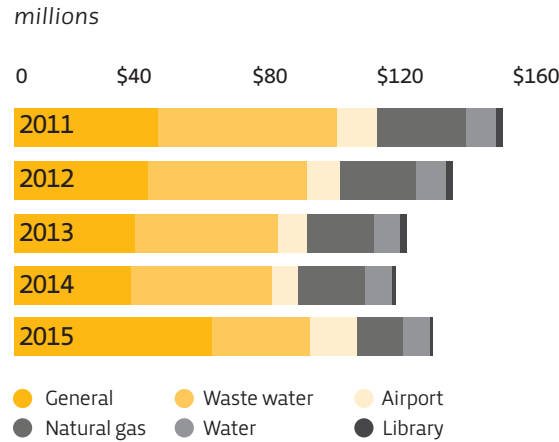
City reserves

Maintenance of adequate levels of reserves and surplus continues to play a significant role in achieving a level of financial stability for Kelowna taxpayers and ratepayers. Reserves fall into two categories, the most significant of which is a capital reserve to ensure that existing City equipment and infrastructure can be maintained, and an operating reserve to ensure that unusual and unforeseen operating conditions can be met without the need for extraordinary tax increases.

Consolidated Reserves & Surplus



Long Term Debt



Development cost charges

Development cost charges (DCCs) are monies collected from land developers and builders by a municipality to offset some of the infrastructure expenditures to service the needs of growth-related development. 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, sewers, water 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 2030 Official Community Plan was prepared and approved in 2011. The latest update to the

Official Community Plan impacted DCC rates with the changes taking effect in June 2011. With this plan, the total cost of the program is \$709 million. Approximately 56 per cent or \$400 million relates to the Arterial Roads program. In 2015, staff reviewed the current costs of development infrastructure and will be bringing forward rate updates in 2016 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 2015, a deficit in Water Sector B and Water Sector D reserve fund was covered from Water Sector A, a deficit in Sewer Sector A was covered from Sewer Sector B and a deficit in the Wastewater Treatment reserve and a deficit in Parks Sector A was covered by 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 and Wastewater	1%

Major project expenditures in 2015

Parks

\$8.6 million Parkland Acquisition at 4020 Lakeshore Road and Dewdney Road.

Roads

\$7.8 million Lakeshore Road Active Transportation and Road Improvements, Improvements to the Richter and Rose Avenue Intersection, Clement Avenue, and debt repayment.

Wastewater Trunks and Treatment

\$6.1 million Raymer Avenue Lift Station Replacement, Byrons/Glenmore Trunk 5 and 5B, and debt repayment.

Development Cost Charge reserve funds

(thousands of dollars)

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance	Reductions/Waivers*
Parks	\$ 1,081	\$ 3,652	\$ 47	\$ (8,623)	\$ (3,843)	\$ 132
Roads	13,828	7,037	376	(7,791)	13,450	114
Water	9,596	387	259	(47)	10,195	9
Wastewater	(6,356)	3,816	(163)	(6,115)	(8,818)	65
Total	\$ 18,149	\$ 14,892	\$ 519	\$ (22,576)	\$ 10,984	\$ 320

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

The DCC program is currently undergoing a minor update, which will be reviewed and approved by Council in 2016. The 2030 Infrastructure Plan, which identifies all the City's infrastructure investment needs for the next 15 years (2016 – 2030), will also be reviewed and adopted by Council in 2016.

Water

There were no major DCC project expenditures in 2015.

Future plans

Total program expenditures are projected at \$13.1 million.

DCC Roads projected expenditures include \$1.5 million for McCulloch Road (KLO, Hall, Spiers)

Improvements, \$1.4 million for debt payments, \$1.3 million for John Hindle Drive, \$0.6 million for Ethel Street Active Transportation Improvements, and \$0.5 million for Clement Improvements.

DCC Wastewater Utility projected expenditures include \$5.0 million for debt payments, and \$0.9 million for Commonage Road Compost Site.

DCC Water Utility projected expenditures includes \$0.4 million for Clifton Main Upgrade.

Financial management strategies

Principles and Strategies for Financial Strength and Stability were adopted by Council in 2015, 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 ten 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

2015

Legal name

1. Orchard Park Shopping Centre
2. Delta Hotels No 48 Holdings Ltd
3. Inland Natural Gas Co Ltd
4. FortisBC Inc
5. Mcintosh Properties Ltd
6. 4231 Investments Ltd
7. Victor Projects Ltd
8. Dilworth Shopping Centre Ltd
9. Wal-Mart Canada Corp
10. Al Stober Construction Ltd

Type of Property

- Shopping Mall
- Hotel
- Gas Utility
- Electrical utility
- Shopping Mall
- Shopping Mall
- Developer
- Shopping Mall
- Shopping Mall
- Commercial Building

2014

Legal name

1. Orchard Park Shopping Centre
2. Delta Hotels No 48 Holdings Ltd
3. Inland Natural Gas Co Ltd
4. FortisBC Inc
5. Mcintosh Properties Ltd
6. 4231 Investments Ltd
7. Dilworth Shopping Centre Ltd
8. Wal-Mart Canada Corp
9. Victor Projects Ltd
10. RG Properties Ltd

Type of Property

- Shopping Mall
- Hotel
- Gas Utility
- Electrical Utility
- Shopping Mall
- Shopping Mall
- Shopping Mall
- Shopping Mall
- Developer
- Developer

Permissive Tax Exemptions

Art Gallery, Museum, Heritage, Cultural Purpose

Central Okanagan Heritage Society	\$9,660
Centre Culturel Francais De L' Okanagan	\$2,600
City of Kelowna Library Society	\$81,051
Kelowna Art Gallery	\$59,803
Kelowna Museum - The Okanagan Heritage Museum	\$4,924
Kelowna Museums Society (Laurel Packing House)	\$23,664
Kelowna Visual and Performing Arts Centre Society	\$68,329
Okanagan Military Museum Society	\$3,470
Okanagan Symphony Society	\$7,543
Roman Catholic Bishop of Nelson Pandosy Mission	\$2,018
Westbank First Nation	\$8

Athletic or Service Club

Central Okanagan Land Trust	\$11,477
Central Okanagan Small Boat Association	\$26,315
East Kelowna Community Hall Association	\$1,816
H2O Centre	\$217,719
Kelowna & District Fish & Game Club	\$4,574
Kelowna Badminton Club	\$6,659
Kelowna Cricket Club	\$398
Kelowna Curling Club	\$28,402
Kelowna Lawn Bowling Club	\$7,651
Kelowna Major Men's' Fastball Association	\$17,445
Kelowna Minor Fastball Society	\$5,772
Kelowna Outrigger Racing Canoe Club Society	\$19,810
Kelowna Riding Club	\$4,138
Kelowna United Football Club	\$360
Kelowna Yacht club	\$716
Kelowna Yoga House Society	\$5,031
Nature Trust of BC	\$42,486
Okanagan Boys & Girls Clubs	\$61,713
Okanagan Gymnastic Centre	\$11,681
Okanagan Mission Community Hall Association	\$4,574
Rutland Park Society	\$16,283
Scouts Canada	\$9,665

Charitable or Philanthropic

Adult Integrated Mental Health Services Society	\$1,365
Arion Therapeutic Riding Association	\$4,344
BC Society for Prevention of Cruelty to Animals	\$8,947

BHF Building Healthy Families Society	\$1,662
Big Brothers Big Sisters of the Okanagan Society	\$3,312
Bridges to New Life Society	\$3,310
Canadian Mental Health Association	\$5,692
Central Okanagan Child Development Association	\$14,061
Central Okanagan Emergency Shelter Society	\$3,343
Columbus Holding Society	\$3,165
Father DeLestre Columbus Society	\$3,347
German - Canadian Harmonie Club	\$4,470
Howard-Fry Housing Society	\$1,761
Kalano Club of Kelowna	\$4,783
Kelowna & District S.H.A.R.E. Society	\$8,666
Kelowna & District Safety Council Society	\$2,123
Kelowna Canadian Italian Club	\$2,561
Kelowna Centre for Positive Living Society	\$1,621
Kelowna Child Care Society	\$3,015
Kelowna Community Food Bank Society	\$9,558
Kelowna Community Music Society	\$2,916
Kelowna Community Resources & Crisis	\$3,965
Kelowna Elks Lodge No 52	\$1,690
Kelowna Gospel Mission Society	\$14,085
Kelowna Sr. Citizens Society of BC	\$4,767
Kelowna(#26) Royal Canadian Legion	\$2,260
KGH - Rutland Auxiliary Thrift Shop	\$7,386
Ki-Low-Na Friendship Society	\$13,800
MADAY Society for Seniors	\$2,751
National Society of Hope	\$3,636
New Opportunities for Women (NOW) Canada Society	\$2,136
Okanagan Halfway House Society	\$6,120
Okanagan Mental Health Services Society	\$1,472
Pathways Abilities Society	\$14,182
Reach Out Youth Counselling & Services Society	\$3,454
Resurrection Recovery Resource Society Inc.	\$6,517
Resurrection Recovery Resource Society Inc. Freedom's Door	\$1,535
Salvation Army Community Resource Centre	\$21,562
Society of St. Vincent De Paul of Central Okanagan	\$3,098
The Bridge Youth & Family Services Society	\$9,029
The Society of Housing Opportunities and Progressive Employment	\$1,605

Hospital Licensed Under Community Care Facility Act

Canadian Cancer Society	\$12,070
Interior Health Authority	\$30,539
Kelowna General Hospital	\$72,939

Partnering

Capital News Centre	\$72,573
Prospera Place	\$197,783

Private Schools

Aberdeen Hall Preparatory School Society	\$20,992
Evangel Tabernacle Church	\$3,932
First Lutheran Church of Kelowna	\$6,666
Immaculata Regional High School	\$37,308
Kelowna Christian Centre School	\$7,350
Kelowna Christian School	\$3,932
Kelowna Society for Christian Education	\$8,740
Lutheran Church - Private School	\$6,666
Okanagan Montessori Elementary	\$5,370
Seventh Day Adventist Church (Private School)	\$36,242
St. Joseph Elementary School	\$9,445
Studio9 Independent School of the Arts (Private School)	\$3,371
Waldorf School	\$10,385

Public Worship

Assumption Of Blessed Virgin Mary's Parish	\$2,785
BC Assn of Seventh Day Adventist	\$1,124
Bethel United Pentecostal Church	\$834
C3 Church	\$2,102
Christ Evangelical Lutheran Church	\$3,284
Christian Science Society of Kelowna	\$2,651
Church of the Nazarene	\$2,275
Evangelical Church	\$2,706
Faith Lutheran Church	\$3,434
First Baptist Church	\$4,001
First Mennonite Church	\$2,845
First United Church	\$4,427
German Church of God Dominion of Canada	\$2,160
Glenmore Congregation of Jehovah's Witnesses	\$3,644
Grace Baptist Church	\$6,757
Guisachan Fellowship Baptist	\$1,753
Gurdwara Guru Amardas Darbar Sikh Society	\$1,887
Holy Spirit Parish	\$5,069
Immaculate Conception Parish	\$7,013
Kelowna Bible Chapel	\$3,992
Kelowna Buddhist Society	\$4,505
Kelowna Christian Centre Church (School)	\$7,350
Kelowna Christian Reformed Church	\$4,807
Kelowna Congregation of Jehovah's Witnesses	\$1,945
Kelowna Free Methodist Church	\$2,105

Kelowna Full Gospel Church	\$3,774
Kelowna Gospel Fellowship Church	\$4,032
Kelowna Tabernacle Congregation Church	\$723
Kelowna Trinity Baptist Church	\$31,576
KLO Baptist Church	\$6,768
Mennonite Brethren Churches (Willow Park Church)	\$7,113
Mission Creek Alliance Church	\$13,424
New Apostolic Church	\$1,806
New Life Vineyard Fellowship	\$23,671
Okanagan Chinese Baptist Church	\$1,773
Okanagan Jewish Community Association	\$2,005
Okanagan Sikh Temple & Cultural Society	\$4,641
Rutland Gospel Tabernacle	\$2,284
Rutland United Church	\$3,778
Salvation Army Community Church	\$7,624
Serbian Orthodox Par-Holy Proph St Ilija (Parish)	\$719
Seventh Day Adventist Church	\$12,128
Spring Valley Congregation of Jehovah's Witnesses	\$4,141
St. Aidan's Anglican Church	\$2,044
St. Andrew's Church	\$4,708
St. Charles Garnier Parish	\$1,726
St. David's Presbyterian Church	\$4,985
St. Mary's Anglican Church	\$806
St. Michaels Anglican Church	\$4,763
St. Paul's United Church	\$12,941
St. Peter & Paul Ukrainian Greek Orthodox Church	\$4,130
St. Pius X Parish	\$3,090
St. Theresa's Parish	\$3,085
The BC Muslim Association	\$1,035
The Church of Jesus Christ of Latter-Day Saints	\$5,266
The Congregation of Bethel Church	\$3,251
The Union of Slavic Churches of Evangelical Christians	\$733
Unitarian Fellowship of Kelowna Society	\$1,073

Total value of municipal taxes exempted**\$1,804,201**

Report from the Financial Services Director

Genelle Davidson

May 3, 2016

Mayor Basran and members of Council,

I am pleased to present the City of Kelowna's 2015 Annual Financial Report for the year ended December 31, 2015. The purpose of this report is to publish the City of Kelowna's consolidated Financial Statements, Auditor's Report and 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 line 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.

Principles & Strategies for Financial Strength & Stability were adopted by Council in 2015, 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.

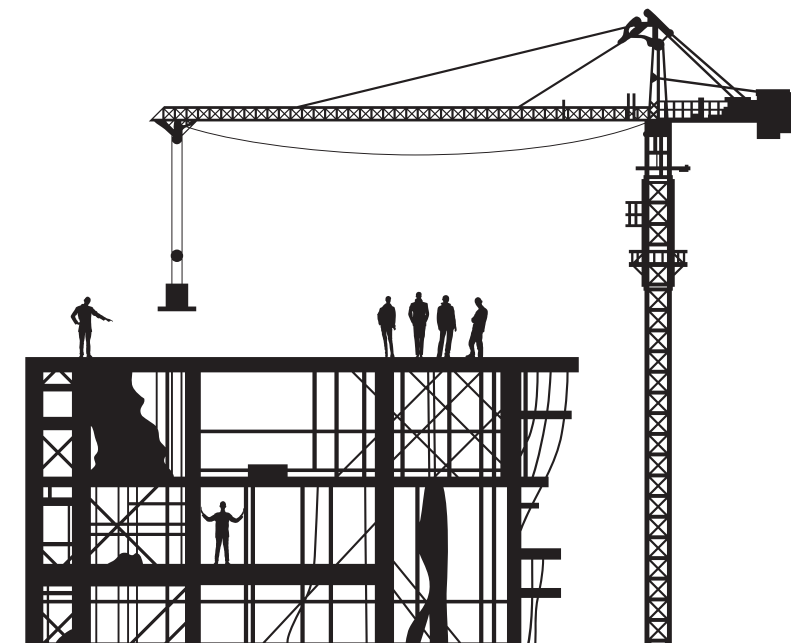
The City ended the year with a \$74-million increase to accumulated surplus, which now sits at more than \$1.8 billion. Revenues increased over 2014 by \$31 million, mainly due to a donation of property, Development Cost Charge contributions and increased fees from development permits. Expenses at \$252 million increased by 2.3 per cent from 2014. The General Fund ended 2015 with a \$3.4M unappropriated surplus from operations. \$3.3M was appropriated to reserve with the remainder added to accumulated surplus now at \$2.25 M which is 1.98 per cent of the 2015 taxation requirement. During the year, the City adopted the Public Sector Board Section 3260 Liability for contaminated sites and the standard was adopted on a retrospective basis and adjustments were not required in the current or prior period.

In 2015 the City continued to balance the community's interest in maintaining levels and quality of services, while planning for the future with the implementation of the dark fibre network, and acquisition of land from CN Rail for a regional active transportation corridor and lakefront property for a future park.

Under the direction and guidance of City Council, 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 coveted and high quality of life. Kelowna is well on its way to becoming the best mid-sized City in North America.

Respectfully submitted,

Genelle Davidson, CPA, CMA
Financial Services Director





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Kelowna, BC V1Y 2A8

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www.GrantThornton.ca

Independent auditors' report

To the members of Council of the City of Kelowna

We have audited the accompanying consolidated financial statements of the City of Kelowna (the "City"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement 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.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, Canada
April 26, 2016

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd.

Grant Thornton LLP
Chartered Professional Accountants

Consolidated Statement of Financial Position

As at December 31, 2015 (in thousands of dollars)

	2015	2014
Financial Assets		
Cash and cash equivalents (Note 4)	\$ 7,509	\$ 59,907
Accounts receivable (Note 4)	29,004	33,917
Accrued interest	1,047	591
Portfolio investments (Note 4)	352,398	247,797
Long term investments (Note 11)	6,000	6,000
Property held for resale	2,939	220
	398,897	348,432
Liabilities		
Accounts payable	42,308	39,333
Performance deposits	8,786	8,422
Deferred revenue (Note 4)	36,703	37,017
Deferred development cost charges (Note 4)	10,984	18,149
Long term debt (Note 4)	136,183	105,611
	234,964	208,532
Net Financial Assets	163,933	139,900
Non-Financial Assets		
Prepaid expenses	1,939	2,392
Inventory	1,152	1,220
Work in progress (Note 5)	88,484	60,060
Tangible capital assets (Note 5)	1,588,378	1,566,200
	1,679,953	1,629,872
Accumulated Surplus (Note 6)	\$ 1,843,886	\$ 1,769,772

Contingent liabilities and Commitments (Notes 9 and 10)
Subsequent Event (Note 20)

Genelle Davidson, CPA, CMA
Financial Services Director

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, 2015 (in thousands of dollars)

	Budget 2015	Actual 2015	Actual 2014
Revenue			
Taxation (Note 7)	\$ 125,185	\$ 125,188	\$ 119,266
Fees and charges	101,508	113,024	107,383
Interest earned	5,400	8,979	8,438
DCC contributions	17,143	22,576	18,000
Government transfers (Note 8)	34,530	22,419	22,387
Other capital contributions	316	34,102	14,649
Gain on disposal of tangible capital assets	-	-	4,455
	<u>284,082</u>	<u>326,288</u>	<u>294,578</u>
Expenses			
General government services	26,932	22,973	22,792
Protective services	51,892	53,696	49,810
Transportation services	34,108	60,884	58,555
Recreational and cultural services	33,781	41,319	42,583
Other services	15,391	18,184	18,153
Airport operations	12,886	17,435	16,814
Natural Gas Legacy Services	2,915	4,506	4,509
Wastewater utility	13,502	22,834	23,061
Water utility	6,615	10,343	10,151
	<u>198,022</u>	<u>252,174</u>	<u>246,428</u>
Annual Surplus	<u>\$ 86,060</u>	<u>74,114</u>	<u>48,150</u>
Accumulated Surplus, beginning of year		1,769,772	1,721,622
Accumulated Surplus, end of year		<u>\$ 1,843,886</u>	<u>\$ 1,769,772</u>

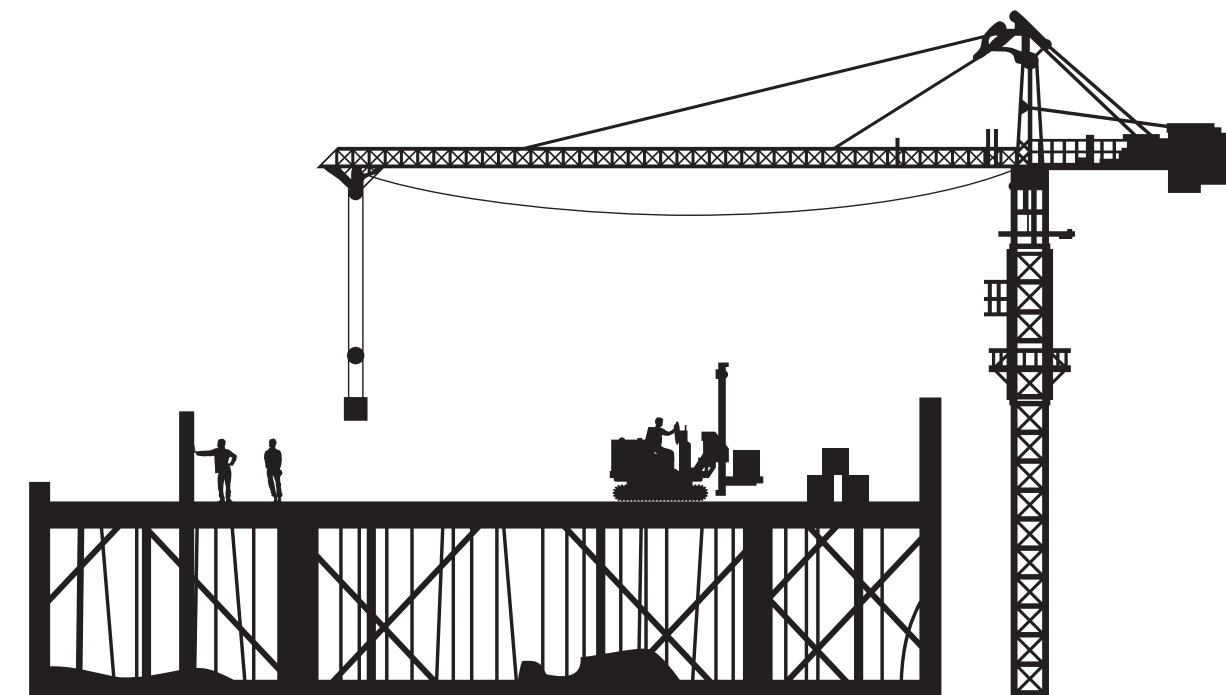
See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2015 (in thousands of dollars)

	Budget 2015	Actual 2015	Actual 2014
Annual Surplus	\$ 86,060	\$ 74,114	\$ 48,150
Amortization of tangible capital assets	-	61,885	61,411
Proceeds from disposal of tangible capital assets	-	926	8,274
Loss (Gain) on disposal of tangible capital assets	-	27	(4,455)
Acquisition of tangible capital assets	(212,796)	(113,440)	(68,723)
Change in inventory and prepaid expenses	-	521	(1,131)
Increase (decrease) in Net Financial Assets	<u>(126,736)</u>	<u>24,033</u>	<u>43,526</u>
Net Financial Assets, beginning of year	139,900	139,900	96,374
Net Financial Assets, end of year	<u>\$ 13,164</u>	<u>\$ 163,933</u>	<u>\$ 139,900</u>

See accompanying notes to the consolidated financial statements.



Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015 (in thousands of dollars)

	Actual 2015	Actual 2014
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual Surplus	\$ 74,114	\$ 48,150
Adjustment for non-cash items		
Amortization of tangible capital assets	61,885	61,411
Loss (Gain) on disposal of tangible capital assets	27	(4,455)
Actuarial adjustment on long term debt	(4,389)	(4,082)
Developer contributions of tangible capital assets	(28,271)	(8,344)
Decrease (increase) in		
Accounts receivable	4,913	(1,608)
Inventory and prepaid expenses	521	(1,131)
Other assets	(3,175)	361
Increase (decrease) in		
Accounts payable	2,975	(1,420)
Deferred development cost charges	(7,165)	(5,869)
Other liabilities	50	1,735
	101,485	84,748
Capital		
Acquisition of tangible capital assets	(85,169)	(60,150)
Proceeds from disposal of tangible capital assets	926	8,274
	(84,243)	(51,876)
Investing		
Change in investments	(104,601)	(30,259)
Financing		
Proceeds from issuance of long term debt	42,500	345
Repayment of long term debt	(7,539)	(10,893)
	34,961	(10,548)
Net decrease in cash and cash equivalents	(52,398)	(7,935)
Cash and cash equivalents, beginning of year	59,907	67,842
Cash and cash equivalents, end of year	\$ 7,509	\$ 59,907
Supplemental cash flow information		
Interest paid	\$ 9,494	\$ 9,747
Non-cash capital activities		
Acquisition of tangible capital assets through developer contributions	\$ 28,271	\$ 8,344

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2015 (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 City of Kelowna Library Society is controlled by the City of Kelowna through its appointment of the members of the Society. Accordingly, the consolidated financial statements include all the accounts of the Society.

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.

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

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%.

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:

	2015	2014
Cash Deposits held by MFA	\$ 3,137	\$ 2,642
Demand Notes held by MFA	8,674	7,576
	\$ 11,811	\$ 10,218

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 affects 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, have 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 4.

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 of the units held.

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.

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, landfill post closure costs and settlement costs associated with outstanding legal actions.

2. Adoption of new accounting policy

Effective April 1, 2014, the Public Sector Accounting Board issued Section 3260 Liability for contaminated sites. This Section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. A liability should be recognized when:

- an environmental standard exists,
- contamination exceeds the environmental standard,
- the Government 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 City adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

3. Future accounting changes

PS 2200 – Related party transactions

This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3420 – Inter-entity transactions

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3210 – Assets

This new section provides guidance for applying the definition of an asset as set out in Section PS 1000 Financial statement concepts and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3320 – Contingent assets

This new section defines and establishes disclosure standards for contingent assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3380 – Contractual rights

This new section defines and establishes disclosure standards on contractual rights. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 Foreign currency translation. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 Financial statement presentation. This section applies to fiscal years beginning on or after April 1, 2019, 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, 2019, with early adoption permitted.

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, 2019, with early adoption permitted.

4. 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	2015	2014
Property Tax	\$ 5,090	\$ 5,894
Trade Receivables	9,994	8,224
Due from Federal Government	1,453	4,032
Due from Provincial Government	5,456	7,159
Due from Regional Government	16	219
Utilities	4,359	4,346
Deferred Development Cost Charges	2,636	4,043
	<u>\$ 29,004</u>	<u>\$ 33,917</u>

Portfolio investments

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

Type of Investment	2015	2014
Municipal Finance Authority Bond/ Intermediate Funds	\$ 69,704	\$ 33,654
Provincial and Bank Issued Accrual Notes and Debentures	88,344	102,142
Publicly traded shares	57,328	56,297
Guaranteed Investment Certificates & Deposit Notes	137,019	55,704
Total Portfolio	<u>\$ 352,398</u>	<u>\$ 247,797</u>

The quoted market value of the publicly traded shares at December 31, 2015 was \$66.68 million (2014 - \$68.52 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, 2015 the balance outstanding was \$nil (2014 - \$nil).

Deferred Development Cost Charges (DCC)	2014	Receipts	Interest	Transfers Out	2015
Roads	\$ 13,828	\$ 7,037	\$ 376	\$ 7,791	\$ 13,450
Parks	1,081	3,652	47	8,623	(3,843)
Water	9,596	387	259	47	10,195
Wastewater	(6,356)	3,816	(163)	6,115	(8,818)
Total Deferred DCC	<u>\$ 18,149</u>	<u>\$ 14,892</u>	<u>\$ 519</u>	<u>\$ 22,576</u>	<u>\$ 10,984</u>

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	2015	2014
Tax Prepayments	\$ 18,036	\$ 17,302
Construction	11,522	12,458
Grants	94	763
Other	2,992	2,516
Local Area Service	4,059	3,978
	<u>\$ 36,703</u>	<u>\$ 37,017</u>

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.

Long term debt

Debenture debt principal is reported net of sinking fund balances. Interest rates on long term debt ranged from 1.80% to 10.07%. The weighted average rate for 2015 was 3.62% (2014 – 5.08%). Principal repayments for the next five years are as follows:

	2016	2017	2018	2019	2020
General Fund	\$ 3,763	\$ 3,743	\$ 3,742	\$ 2,875	\$ 2,451
Airport	1,972	1,972	1,972	639	639
Wastewater Fund	4,180	4,180	4,180	4,173	1,496
Water Fund	333	333	333	333	333
Natural Gas Legacy	1,699	1,699	1,699	-	-
Library Society	502	177	-	-	-
	<u>\$ 12,449</u>	<u>\$ 12,104</u>	<u>\$ 11,926</u>	<u>\$ 8,020</u>	<u>\$ 4,919</u>

Schedule 3 provides a breakdown of long term debt.

Debt as a percentage of total expenditures:

2015	2014	2013	2012	2011
54.01%	42.79%	48.84%	53.64%	59.50%

5. Tangible capital assets and work in progress

	2015 Work in Progress	2015 Tangible Capital Assets (NBV)	2014 Work in Progress	2014 Tangible Capital Assets (NBV)
Land	\$ -	\$ 246,875	\$ 6,372	\$ 191,587
Land Improvements	2,713	33,501	1,746	35,194
Buildings	10,580	161,485	5,758	165,580
Infrastructure	50,190	1,077,417	30,693	1,099,268
Machinery and Equipment	25,001	36,301	15,491	40,172
Natural Gas System (Capital Lease)	-	32,799	-	34,399
	<u>\$ 88,484</u>	<u>\$ 1,588,378</u>	<u>\$ 60,060</u>	<u>\$ 1,566,200</u>

Contributions received in 2015 include:

Type of contribution

	2015	2014
Land - park	<u>\$ 28,271</u>	<u>\$ 8,344</u>

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

**6. Accumulated Surplus**

	Reserves for Future Expenditures	Equity in FortisBC Inc.	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2015	Total 2014
Accumulated surplus, beginning of year	\$ 101,612	\$ 56,297	\$ 56,290	\$ 36,423	\$ 1,519,150	\$ 1,769,772	\$ 1,721,622
Annual surplus (deficit)	354	2,720	1,679	78,924	(9,563)	74,114	48,150
Transfers	5,790	(1,650)	(3,003)	(1,137)	-	-	-
Acquisition of tangible capital assets	-	-	-	(61,867)	61,867	-	-
Repayment of long term debt	-	-	-	(10,539)	10,539	-	-
Accumulated surplus, end of year	<u>\$ 107,756</u>	<u>\$ 57,367</u>	<u>\$ 54,966</u>	<u>\$ 41,804</u>	<u>\$ 1,581,993</u>	<u>\$ 1,843,886</u>	<u>\$ 1,769,772</u>

Accumulated Surplus detail as follows:

	Balances, beginning of year	Transfer from	Transfer to	Annual Surplus	Balances, end of year
Non-Statutory Reserves					
General Fund Reserve	\$ 57,619	\$ 13,735	\$ 17,065	\$ 28	\$ 60,977
Airport Fund Reserve	26,083	17,423	15,444	236	24,340
Waste Water Fund Reserve	7,354	244	2,284	15	9,409
Water Fund Reserve	10,556	341	2,740	75	13,030
	101,612	31,743	37,533	354	107,756
Statutory Reserves					
Parking Reserve	4,887	7,971	5,666	210	2,792
Land Reserve	16,659	11,366	2,351	450	8,094
Capital Works, Machinery & Equip Reserve	34,744	7,735	16,052	1,019	44,080
	56,290	27,072	24,069	1,679	54,966
Surplus by Fund					
General Fund Surplus	2,116	54,518	10,200	44,453	2,251
Airport Fund Surplus	596	15,515	1,333	14,182	596
Waste Water Fund Surplus	21,301	15,048	6,914	10,891	24,058
Water Fund Surplus	7,551	7,843	3,124	7,509	10,341
Natural Gas Legacy Surplus	4,694	3,159	1,429	1,429	4,393
Library Surplus	165	920	460	460	165
Accumulated Surplus	36,423	97,003	23,460	78,924	41,804
Equity Investment					
Equity in FortisBC Inc.	56,297	1,650	-	2,720	57,367
Investment in Non Financial Assets					
Investment in Tangible Capital Assets	1,519,150	20,102	92,508	(9,563)	1,581,993
Accumulated Surplus	\$ 1,769,772	\$ 177,570	\$ 177,570	\$ 74,114	\$ 1,843,886

7. Taxation

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

	2015	2014
Taxes collected		
Property taxes	\$ 206,636	\$ 199,000
Local improvement levies	179	104
Frontage tax – water	1,419	1,406
Specified sewer area recoveries	1,552	1,655
Grants in lieu of taxes	446	486
Levies	6,596	6,409
	216,828	209,060
Less transfers to other governments		
Province of BC (school taxes)	66,909	65,932
BC Assessment Authority	2,017	2,003
Regional Hospital District	11,307	10,896
Regional District of Central Okanagan	11,407	10,963
	91,640	89,794
Net taxes available for municipal purposes	\$ 125,188	\$ 119,266

8. 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. Due to the completion of the projects in 2015 there is no deferred revenue balances related to these transfers. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. In 2015 the City received and recorded as revenue the following transfers:

	2015	2014
Operating transfers		
Federal	\$ 333	\$ 531
Provincial	18,324	15,313
	18,657	15,844
Capital transfers		
Federal	1,508	1,660
Provincial	2,254	4,882
	3,762	6,543
Total transfers	\$ 22,419	\$ 22,387

9. Contingent liabilities

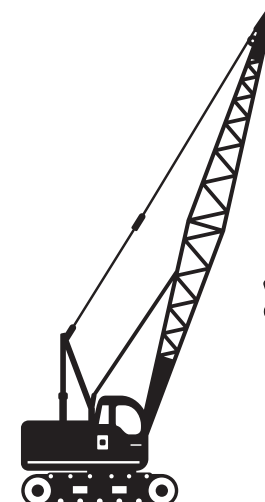
Regional District of Central Okanagan

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, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The City of Kelowna paid \$6.9 million for employer contributions to the plan in fiscal 2015, which represents 0.4% of the total plan contributions. The City of Kelowna expects to pay \$6.9 million for employer contributions in the next fiscal year.

The next valuation will be as at December 31, 2015, with results available in 2016.

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.

The City of Kelowna paid \$6.9 million (2014 - \$5.9 million) for employer contributions while employees contributed \$5.6 million (2014 - \$4.8 million) to the plan in fiscal 2015.

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.

10. 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, 2015 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. The City's estimated liability for these expenditures is recognized as the landfill site's capacity is used. The reported liability of \$3.7 million (2014 - \$3.6 million) represents the portion of the estimated total expenditure recognized as at December 31, 2015. 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.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 14.9 million tonnes, which is 81% of the site's total capacity. The future cash flows for closure and post-closure cost is estimated at \$11.9 million as at December 31, 2015. The landfill site is expected to reach its capacity in 2092.

Kelowna Family Y Centre loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guaranteed repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20-year loan. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA-YWCA of Central Okanagan. During 2010 an amendment was made to the agreement for additional financing of \$700,000. As at December 31, 2015 the outstanding loan balance was \$1,089,336 (2014 - \$1,189,598).

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 2015 represented year 16 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.

11. 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 2028 per the terms of that agreement described in Note 10.

12. 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 \$29.5 million (2014 - \$28.9 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 \$29.5 million, the City is holding irrevocable Letters of Credit in the amount of \$2.7 million (2014 - \$4.1 million) which are received from developers to ensure payment of development cost charges in future years.

13. Capital lease payable

The City has entered into an agreement with FortisBC Energy Inc. ("FortisBC") that has resulted in the creation of the Natural Gas Legacy Fund.

Capital lease

Under the terms of the agreement the City entered into a 35 year capital lease with FortisBC on November 1, 2001 for the natural gas distribution system within the City's municipal boundary. The City has prepaid \$47.5 million of the capital lease obligation and has financed the prepayment

through debenture debt. The remaining obligation of \$2.3 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on FortisBC approved pre-tax weighted average cost of capital of 10.072%.

Operating lease

The City also entered into a 17 year operating lease with FortisBC on November 1, 2001 whereby the City leases back to FortisBC the operations of the gas distribution system. Under the operating lease FortisBC is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17 year term FortisBC has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47.5 million prepayment under the capital lease, which is estimated to be \$27.0 million, or negotiate a new 18 year operating lease with a continuation of the annual lease payments which existed under the previous 17 year operating lease.

Annual lease revenues for the past five years are:

2011	\$4.8 million
2012	\$4.6 million
2013	\$4.4 million
2014	\$4.3 million
2015	\$4.2 million

14. City of Kelowna Library Society

In March 1997, the City transferred the Library building and land located on Ellis Street in the City of Kelowna and the related mortgage loan to the City of Kelowna Library Society, a non-profit society. The City has guaranteed the repayment of the mortgage. As at December 31, 2015 the mortgage balance was \$682 thousand (2014 - \$1.1 million). The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in with the City of Kelowna consolidated financial statements.

15. 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, 2015 the Trust Fund balance is \$2.45 million (2014 - \$2.3 million).

16. 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 as well as the Provincial Emergency Program.

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.

Costs for maintenance and repair of police and fire buildings are included in this section.

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 & cultural services

Recreation & 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 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 liters 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 five water suppliers operating within Kelowna’s boundaries. 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 whereby the City leases back to FortisBC the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund.

Library services

The City of Kelowna Library Society is a non-profit society instituted and controlled by the City of Kelowna. The Society was incorporated for the purpose of establishing, operating, and maintaining libraries and library services for the benefit of the City of Kelowna and its citizens. Financial statements for the Society are prepared separately and are consolidated with the City of Kelowna.

Statutory reserves

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

17. Expenses by object

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

18. Budget data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 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.

Budget Amount

Revenues:	
Operating budget	\$ 254,332
Capital budget	29,750
	<u>284,082</u>
Expenses:	
Operating budget	198,022
Capital budget	212,796
	<u>410,818</u>
Annual deficit per approved budget	(126,736)
Add: tangible capital asset purchases	<u>212,796</u>
Annual surplus per statement of operations	<u>\$ 86,060</u>

19. Comparative figures

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

20. Subsequent Event

Subsequent to December 31, 2015, the City of Kelowna acquired approximately 84 acres of property adjacent to the airport for \$5,400,000. The property is currently operating as the Shadow Ridge Golf Course.



Schedule 1 - Tangible Capital Assets

For the Year Ended December 31, 2015 (in thousands of dollars)

	Machinery & Equipment								Infrastructure							Total 2015	Total 2014
	Land	Land Improvements	Buildings	Vehicles	Other Machinery & Equipment	Computer	Misc	Subtotal Machinery & Equipment	Plant & Facilities	Roads, Lanes Sidewalks & Bike Paths	Bridges & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure	Natural Gas Capital Lease		
Cost																	
Balance, beginning of year	\$ 191,587	\$ 64,304	\$ 285,254	\$ 29,519	\$ 48,454	\$ 9,884	\$ 5,582	\$ 93,439	\$ 175,802	\$ 486,288	\$ 30,136	\$ 1,023,387	\$ 43,883	\$ 1,759,496	\$ 55,609	\$ 2,449,689	\$ 2,390,461
Add: additions during the year	58,627	616	4,966	903	764	794	-	2,461	1,334	13,481	3	3,524	2,922	21,264	-	87,934	68,140
Less: capital held for resale	(2,916)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,916)	(220)
Less: disposals during the year	(423)	-	(162)	(1,255)	(398)	(489)	-	(2,142)	-	-	-	-	-	-	-	(2,727)	(8,692)
Balance, end of year	246,875	64,920	290,058	29,167	48,820	10,189	5,582	93,758	177,136	499,769	30,139	1,026,911	46,805	1,780,760	55,609	2,531,980	2,449,689
Accumulated Amortization																	
Balance, beginning of year	-	29,110	119,674	14,656	30,739	6,426	1,446	53,267	53,679	234,118	7,161	343,824	21,446	660,228	21,210	883,489	827,171
Add: amortization	-	2,309	9,028	2,100	2,778	676	279	5,833	6,081	19,035	466	15,471	2,062	43,115	1,600	61,885	61,411
Less: accumulated amortization on disposals	-	-	(129)	(964)	(296)	(383)	-	(1,643)	-	-	-	-	-	-	-	(1,772)	(5,093)
Balance, end of year	-	31,419	128,573	15,792	33,221	6,719	1,725	57,457	59,760	253,153	7,627	359,295	23,508	703,343	22,810	943,602	883,489
Net Book Value of Tangible Capital Assets	\$ 246,875	\$ 33,501	\$ 161,485	\$ 13,375	\$ 15,599	\$ 3,470	\$ 3,857	\$ 36,301	117,376	\$ 246,616	\$ 22,512	\$ 667,616	\$ 23,297	\$ 1,077,417	\$ 32,799	\$ 1,588,378	\$ 1,566,200
Work in Progress	\$ -	\$ 2,713	\$ 10,580	\$ -	\$ 9,728	\$ 1,666	\$ 13,607	\$ 25,001	\$ 9,682	\$ 15,505	\$ 3,829	\$ 9,187	\$ 11,987	\$ 50,190	\$ -	\$ 88,484	\$ 60,060
																\$ 1,676,862	\$ 1,626,260

Schedule 2 - Segmented Information

For the Year Ended December 31, 2015 (in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Wastewater Services	Water Services	Natural Gas Legacy Services	Library Services	Statutory Reserves	2015
Revenue												
Taxation	\$ 122,012	\$ -	\$ 179	\$ -	\$ -	\$ -	\$ 1,552	\$ 1,445	\$ -	\$ -	\$ -	\$ 25,188
Fees and charges	55,691	529	10,134	3,995	12,937	26,368	16,165	11,776	4,335	766	41	142,737
Interest earned	6,279	-	-	-	-	251	548	264	-	-	1,637	8,979
DCC contributions	-	-	7,791	8,623	-	-	6,115	47	-	-	-	22,576
Contribution from other governments	1,889	3,884	12,407	264	3,601	116	258	-	-	-	-	22,419
Other capital contributions	862	-	-	-	-	354	1,025	80	2,068	-	-	4,389
	186,733	4,413	30,511	12,882	16,538	27,089	25,663	13,612	6,403	766	1,678	326,288
Expenses												
Salaries and benefits	14,711	26,846	8,760	10,800	5,019	3,888	3,144	2,309	-	21	-	75,498
Contract and professional services	3,172	1,483	23,874	7,575	7,312	936	658	781	-	95	-	45,886
RCMP contract	-	24,787	-	-	-	-	-	-	-	-	-	24,787
Materials and supplies	4,436	1,421	5,296	10,034	1,504	5,112	1,278	769	-	28	-	29,878
Equipment	203	313	2,584	1,488	1,716	18	632	436	-	2	-	7,392
Allocations	(3,880)	(77)	(297)	(182)	(863)	1,461	3,113	753	20	-	-	48
Cost recoveries	(612)	(2,306)	(7,974)	(371)	(1,269)	(494)	-	(636)	-	-	-	(13,662)
Grants and external transfers	368	101	6	1,108	2,246	-	(127)	-	-	-	-	3,702
Utilities	175	212	2,005	2,075	148	560	1,084	899	-	81	-	7,239
Loss on disposal of tangible capital assets	27	-	-	-	-	-	-	-	-	-	-	27
Amortization of tangible capital assets	1,572	916	26,630	8,792	1,903	5,159	10,591	4,560	1,600	162	-	61,885
Total before Debt	20,172	53,696	60,884	41,319	17,716	16,640	20,373	9,871	1,620	389	-	242,680
Debt interest and fiscal services	2,801	-	-	-	-	795	2,461	472	2,886	79	-	9,494
Total operating expenses	22,973	53,696	60,884	41,319	17,716	17,435	22,834	10,343	4,506	468	-	252,174
Annual Surplus (Deficit)	\$ 163,760	\$ (49,283)	\$ (30,373)	\$ (28,437)	\$ (1,178)	\$ 9,654	\$ 2,829	\$ 3,269	\$ 1,897	\$ 298	\$ 1,678	\$ 74,114

Schedule 2 - Segmented Information

For the Year Ended December 31, 2014 (in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Wastewater Services	Water Services	Natural Gas Legacy Services	Library Services	Statutory Reserves	2014
Revenue												
Taxation	\$ 116,074	\$ -	\$ 104	\$ -	\$ -	\$ -	\$ 1,655	\$ 1,433	\$ -	\$ -	\$ -	\$ 119,266
Fees and charges	34,864	434	8,384	4,039	12,562	26,180	14,849	11,296	4,481	795	66	117,950
Interest earned	6,157	-	-	-	-	251	579	202	-	-	1,249	8,438
DCC contributions	-	-	7,120	1,024	-	-	6,897	2,959	-	-	-	18,000
Contribution from other governments	222	3,704	14,549	483	2,830	1 16	463	20	-	-	-	22,387
Other capital contributions	728	-	-	-	-	289	1,157	64	1,844	-	-	4,082
Gain on disposal of tangible capital assets	4,455	-	-	-	-	-	-	-	-	-	-	4,455
	162,500	4,138	30,157	5,546	15,392	26,836	25,600	15,974	6,325	795	1,315	294,578
Expenses												
Salaries and benefits	14,419	23,139	8,386	10,480	4,633	3,797	3,001	2,139	-	14	-	70,008
Contract and professional services	3,303	1,481	21,935	9,464	7,404	847	838	690	-	134	-	46,096
RCMP contract	-	23,891	-	-	-	-	-	-	-	-	-	23,891
Materials and supplies	4,465	1,419	5,303	9,926	1,531	5,139	1,119	779	-	27	-	29,708
Equipment	201	305	2,306	1,453	1,469	14	634	396	-	2	-	6,780
Allocations	(3,799)	(65)	(294)	(128)	(746)	1,306	2,945	782	20	-	-	21
Cost recoveries	(620)	(1,631)	(7,380)	(413)	(729)	(638)	(2)	(543)	-	-	-	(11,956)
Grants and external transfers	350	104	-	1,046	2,225	-	(131)	-	-	-	-	3,594
Utilities	161	222	1,863	1,979	175	667	1,090	891	-	80	-	7,128
Amortization of tangible capital assets	1,740	945	26,436	8,776	1,655	4,938	10,614	4,545	1,600	162	-	61,411
Total before Debt	20,220	49,810	58,555	42,583	17,617	16,070	20,108	9,679	1,620	419	-	236,681
Debt interest and fiscal services	2,572	-	-	-	-	744	2,953	472	2,889	117	-	9,747
Total operating expenses	22,792	49,810	58,555	42,583	17,617	16,814	23,061	10,151	4,509	536	-	246,428
Annual Surplus (Deficit)	\$ 139,708	\$ (45,672)	\$ (28,398)	\$ (37,037)	\$ (2,225)	\$ 10,022	\$ 2,539	\$ 5,823	\$ 1,816	\$ 259	\$ 1,315	\$ 48,150

Schedule 3 - Long Term Debt

as at December 31, 2015 (in thousands of dollars)

Long term debt - General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/15	Sinking Fund Amount Dec. 31/15	Current Interest of Issue	Current Interest Rate %
Public Works					
2019	South Pandosy Spec Area 1	\$ 66	\$ 168	\$ 234	2.10
2019	South Pandosy Spec Area 2	115	295	410	2.10
2019	Automated Curb Side Carts	2,153	2,657	4,810	4.13
2021	Library Parkade	792	1,408	2,200	4.43
2022	Chapman Parkade	1,890	2,181	4,071	2.10
2028	DCC Roads	3,558	6,842	10,400	5.15
Local Improvements					
2016	Local Improvements	30	363	393	3.05
2016	Local Improvements	21	248	269	4.43
2017	Local Improvements	8	46	54	4.82
2019	Local Improvements	19	50	69	2.10
2035	Lawrence Ave LAS	333	12	345	3.00
Recreation and Cultural					
2021	Kokanee Gym Facility	204	296	500	3.05
2027	H2O Centre	18,991	8,509	27,500	4.82
2027	Kokanee Gymnastic	552	248	800	4.82
2028	H2O Centre	1,470	530	2,000	5.15
2035	Police Facilities	20,000	-	20,000	2.75
2035	Library Parkade Ext & Memorial Parkade	15,000	-	15,000	2.75
Total Debt - General Fund		\$ 65,202	\$ 23,853	\$ 89,055	

Schedule 3 - Long Term Debt (cont'd)

as at December 31, 2015 (in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/15	Sinking Fund Amount Dec. 31/15	Current Interest of Issue	Current Interest Rate %
Specified Area Programs					
2018	Spec. Area 18 - Caramillo	\$ 30	\$ 105	\$ 135	4.65
2018	Spec. Area 19 - Poplar Point	17	60	77	4.65
2022	Spec. Area 22A - Gerstmar	18	22	40	3.05
2024	Spec. Area 21A - McKenzie Bench	770	580	1,350	2.00
2024	Spec. Area 22B - Vista Rd	45	35	80	2.00
2024	Spec. Area 22C - Hein Rd	152	114	266	2.00
2024	Spec. Area 22D - Elwyn Rd	85	64	149	2.00
2024	Spec. Area 22E - Dease Rd	55	41	96	2.00
2024	Spec. Area 22F - Mills Rd	195	147	342	2.00
2024	Spec. Area 29 - Champion Cambro	499	375	874	2.00
2024	Spec. Area 30 - Acland	208	156	364	2.00
2025	Spec. Area 20 - North Rutland	4,071	2,751	6,822	1.80
2025	Spec. Area 28A - Okaview	381	257	638	1.80
2028	Spec Area 26 - Fisher Rd	1,485	536	2,021	5.15
2028	Spec Area 34 - Country Rhodes	319	116	435	5.15
2028	Spec Area 36 - Clifton	196	71	267	5.15
Sewer Improvement Programs					
2019	Byrns Baron Main	1,321	2,545	3,866	2.00
Sewage Treatment Plant					
2019	Waste Water Treatment Expansion	8,951	11,049	20,000	4.90
2019	Waste Water Treatment Expansion	4,475	5,525	10,000	4.13
2020	Waste Water Treatment Expansion	5,489	4,511	10,000	3.73
2031	Brandt's Creek Tradewaste Treatment	2,994	806	3,800	3.25
Total Debt - Wastewater Fund		\$ 31,756	\$ 29,866	\$ 61,622	

Schedule 3 - Long Term Debt (cont'd)

as at December 31, 2015 (in thousands of dollars)

Long term debt - Water Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/15	Sinking Fund Amount Dec. 31/15	Current Interest of Issue	Current Interest Rate %
Specified Area Programs					
2023	Spec Area 16 - Byrns	\$ 20	\$ 19	\$ 39	2.40
2024	Spec Area 18 - Lakeshore	13	11	24	2.00
2028	Spec Area 26 - Fisher Rd	219	78	297	5.15
Water Improvement Programs					
2028	Cedar Creek Pump Station	5,567	2,010	7,577	5.15
2031	Poplar Point Pump Station Upgrade	1,715	285	2,000	3.25
Total Debt - Water Fund		\$ 7,534	\$ 2,403	\$ 9,937	

Long term debt - Airport Fund

Debenture Debt

2018	Airport Expansion	\$ 5,474	\$ 10,526	\$ 16,000	4.65
2025	Airport Expansion	7,500	-	7,500	2.75
Total Debt - Airport Fund		\$ 12,974	\$ 10,526	\$ 23,500	

Long term debt - Natural Gas Legacy Fund

Debenture Debt

2018	Leased Capital Assets	\$ 7,732	\$22,068	\$ 29,800	6.00
2018	Leased Capital Assets	5,059	14,441	19,500	4.45
		<u>12,791</u>	<u>36,509</u>	<u>49,300</u>	
Capital Lease Payable		2,244		2,500	10.072
Total Debt - Natural Gas Legacy Fund		\$ 15,035		\$ 51,800	

Schedule 3 - Long Term Debt (cont'd)

as at December 31, 2015 (in thousands of dollars)

Long term debt - Library

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/15	Sinking Fund Amount Dec. 31/15	Current Interest of Issue	Current Interest Rate %
2017	Mortgage - Building	\$ 682		\$ 5,100	8.94
Total Debt - Library Fund		\$ 682		\$ 5,100	

Long term debt - Other

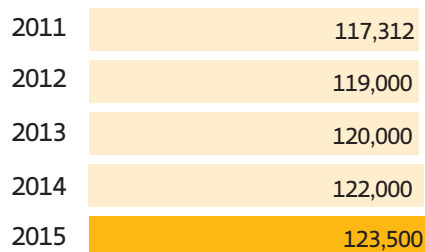
2018	CN Rail	\$ 3,000		\$ 3,000	
Total Debt - Other		\$ 3,000		\$ 3,000	

Total City Long Term Debt

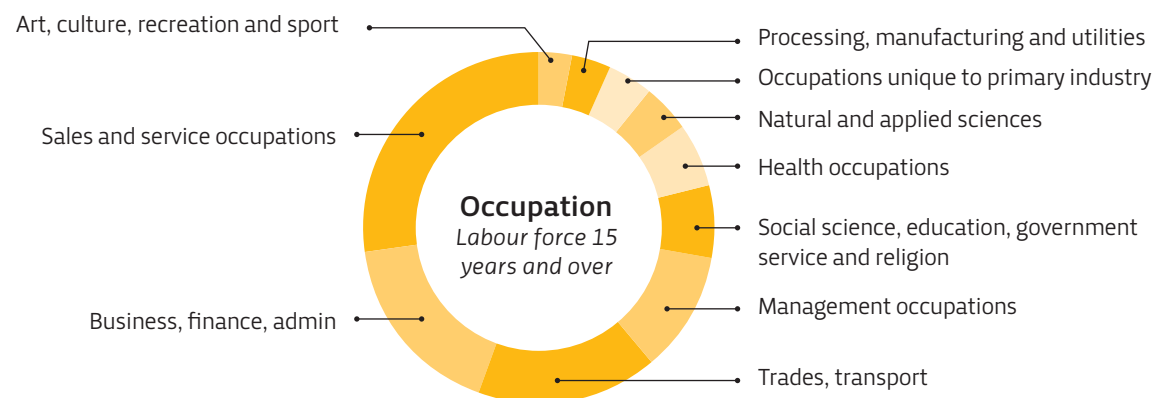
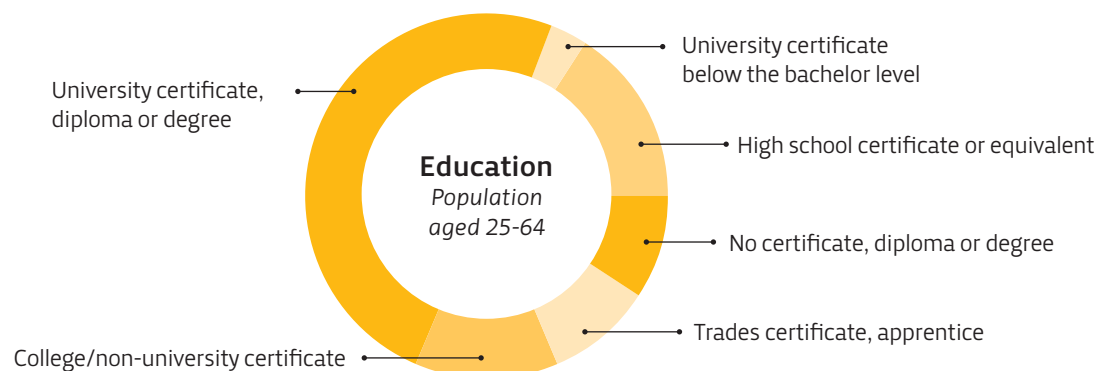
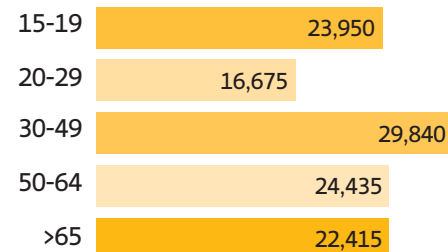
\$ 136,183	\$ 103,157	\$ 244,014
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Statistical Review 2011-2015

Population



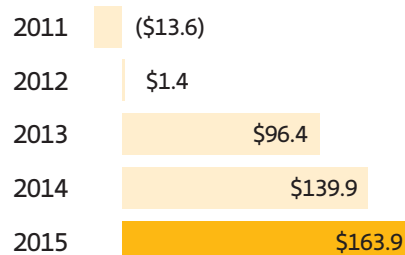
Age of Population



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"

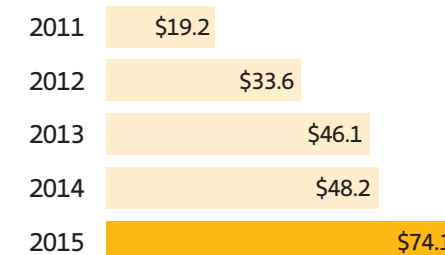
Net Financial Assets (Liabilities)

millions



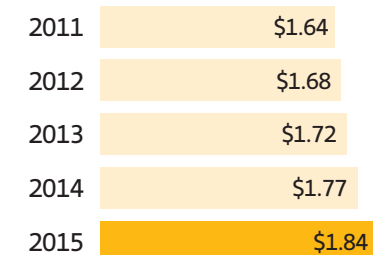
Annual Surplus

millions



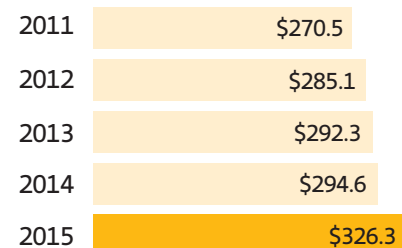
Accumulated Surplus

billions



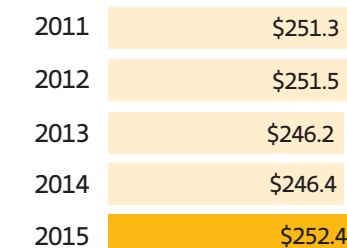
Consolidated Revenues

thousands



Consolidated Expenses

thousands



Consolidated Revenues by Type

millions

	2011	2012	2013	2014	2015
Fees & charges	\$ 121.60	\$ 129.69	\$ 111.87	\$ 107.38	\$ 113.02
Taxation	107.66	110.49	114.84	119.27	125.19
Contributions from other governments	19.84	17.59	20.24	22.39	22.42
DCC contribution	10.92	17.88	11.52	18.00	22.58
Interest earned	5.85	5.27	6.82	8.44	8.98
Other	4.18	2.92	3.76	14.65	34.10
Gain on disposal of tangible capital assets	0.48	1.27	23.28	4.46	0.00
Total	\$ 270.53	\$ 285.11	\$ 292.34	\$ 294.58	\$ 326.29

Source: City of Kelowna Financial Services Department.

Consolidated Expenses by Function*millions*

	2011	2012	2013	2014	2015
General Government Services	\$ 19.88	\$ 17.14	\$ 15.11	\$ 22.79	\$ 22.97
Protective Services	43.30	43.08	48.96	49.81	53.70
Transportation Services	30.74	30.30	30.57	58.56	60.88
Recreational & Cultural Services	29.51	30.15	31.21	42.58	41.32
Other services (incl. Natural Gas Legacy Fund)	16.18	15.49	17.43	22.66	22.69
Airport Operations	9.36	10.21	10.67	16.82	17.44
Electrical Utility	22.23	24.40	8.03	-	-
Wastewater Utility	8.56	8.45	9.48	23.06	22.83
Water Utility	5.08	4.83	4.77	10.15	10.34
Amortization on tangible capital assets	56.35	57.33	60.09	-	-
Debt charges	10.12	10.16	9.87	-	-
Total	\$ 251.31	\$ 251.54	\$ 246.19	\$ 246.43	\$ 252.17

Note: Effective with the 2014 year, amortization and debt expenditures have been included in each of the function category expense lines

Consolidated Expenses by Object*millions*

	2011	2012	2013	2014	2015
Salaries & Benefits	\$ 64.94	\$ 65.68	\$ 71.22	\$ 70.01	\$ 75.50
Amortization of Tangible Capital Assets	56.35	57.33	60.09	61.41	61.89
Materials & Supplies	43.28	45.27	30.44	29.71	29.88
Contract & Professional Services	42.91	43.90	44.21	46.10	45.89
RCMP Contract	20.42	20.09	22.40	23.89	24.79
Debt interest & fiscal services	10.10	10.16	9.87	9.75	9.49
Equipment	7.10	6.65	6.87	6.78	7.39
Utilities	4.85	3.66	6.51	7.13	7.24
Grants and External Transfers	3.37	3.25	3.62	3.59	3.70
Allocations	0.04	0.04	0.02	0.02	0.05
Loss on Disposal of Tangible Capital Assets	0.0	-	-	0.00	0.03
Cost Recoveries	(2.06)	(4.51)	(9.04)	(11.96)	(13.66)
Total	\$ 251.30	\$ 251.52	\$ 246.21	\$ 246.43	\$ 252.19

General Debenture Debt Charges as a Percentage of Total General Expenditures

2011	24.8%
2012	22.9%
2013	20.0%
2014	17.8%
2015	33.6%

Consolidated Debt Charges as a Percentage of Taxation

2011	9.68%
2012	9.46%
2013	8.85%
2014	8.39%
2015	7.58%

Assessment for General Taxation*billions*

2011	\$23.9
2012	\$23.8
2013	\$23.7
2014	\$23.8
2015	\$25.1

Consolidated Debt as a Percentage of Total General Expenditures

2011	57.4%
2012	53.64%
2013	48.84%
2014	42.86%
2015	54.00%

Consolidated Debt per Capita

2011	\$1,275
2012	\$1,150
2013	\$1,025
2014	\$900
2015	\$1,103

Taxation Demand*millions*

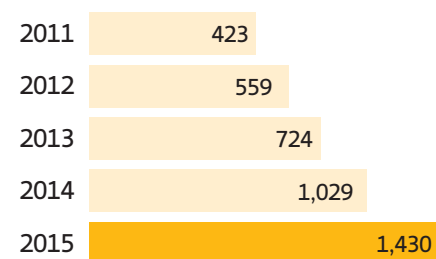
2011	\$96.8
2012	\$99.5
2013	\$103.7
2014	\$107.7
2015	\$113.5

Total property tax levies

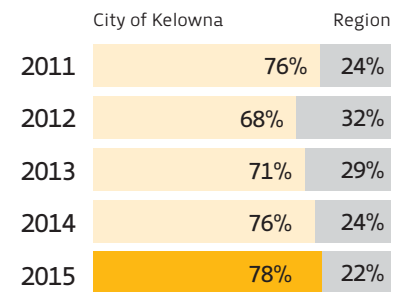
	2011	2012	2013	2014	2015
City of Kelowna	\$ 101,678,382	\$ 104,594,045	\$ 108,974,094	\$ 113,119,208	\$ 119,132,343
School Tax	66,875,523	65,815,150	67,758,860	66,173,956	67,130,662
Regional Hospital	9,627,872	10,305,508	10,868,739	10,900,888	11,330,950
Regional District	9,248,749	9,454,286	9,866,411	10,685,452	11,153,169
BC Assessment	2,016,783	1,976,024	2,000,803	2,003,333	2,020,908
Total Property Tax Levies	\$ 189,447,309	\$ 192,145,013	\$ 199,468,907	\$ 202,882,837	\$ 210,768,032

Source: City of Kelowna Financial Services Department.

Housing Starts

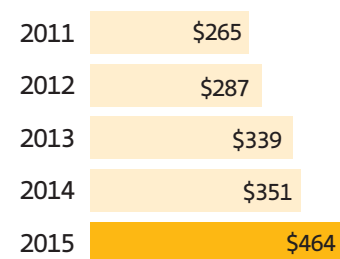


Regional Housing Starts

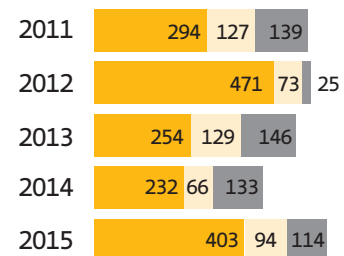


Note: the Regional District of the Central Okanagan includes City of West Kelowna, District of Peachland, District of Lake Country, and the Central Okanagan east and west electoral areas.

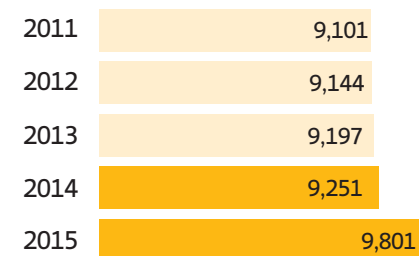
Value of New Development
millions



Development Floor Space
square footage (thousands)

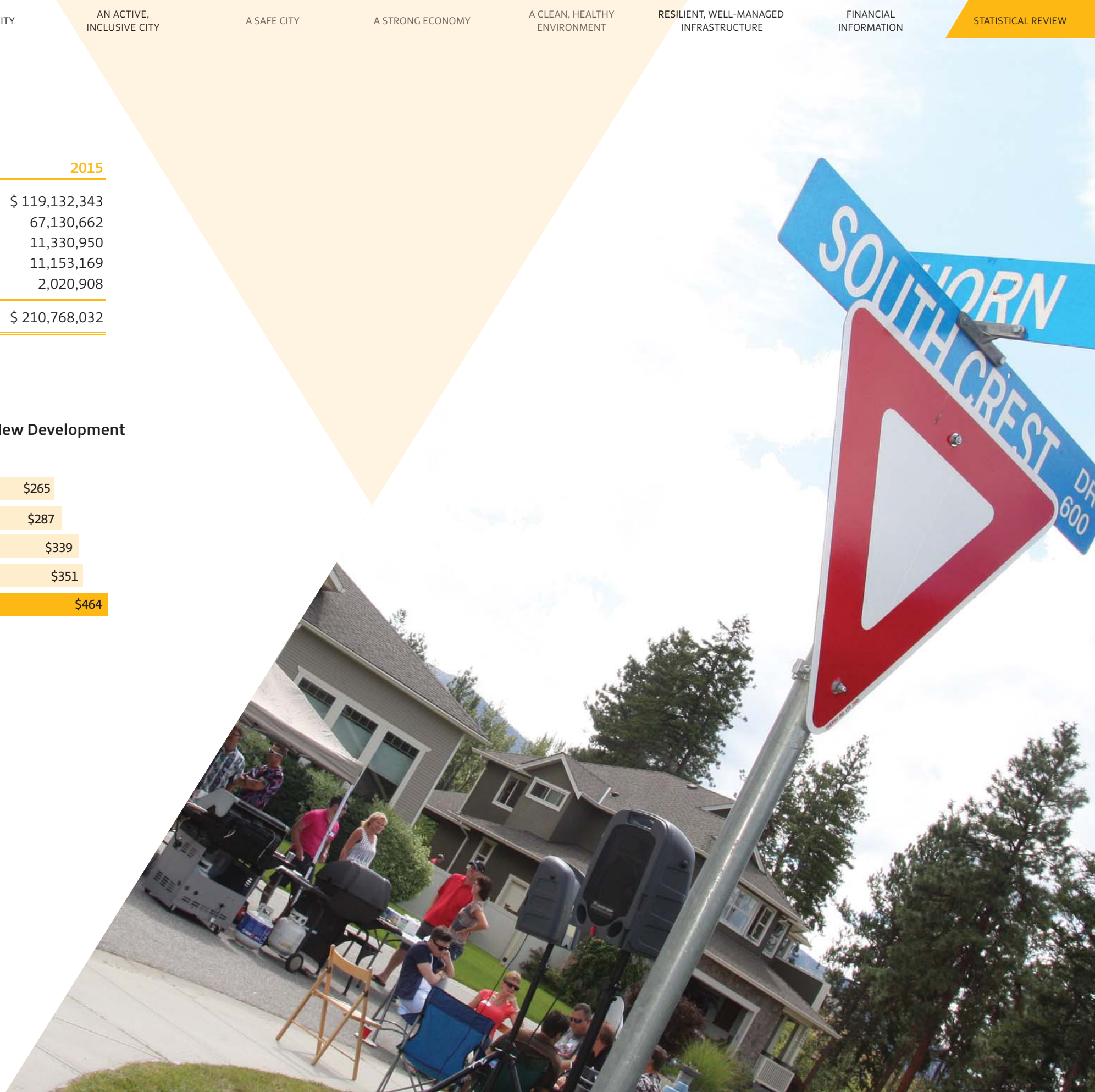


Business Licences



Source: City of Kelowna, Corporate Services Department

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





City of
Kelowna

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