

2019

ANNUAL REPORT

Kelowna, British Columbia, Canada

For the year ended December 31, 2019





CITY OF KELOWNA 2019 ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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

TABLE OF CONTENTS

▲ INTRODUCTION

A message from the Mayor	4
A message from the City Manager	6
Our Community	9
Our City & Citizen Survey Results	10
Mayor & Council	11
Civic & Community Award Winners	12
Awards & Recognition	13
Organization Chart	14

▲ COUNCIL PRIORITIES

Council Priorities 2019 – 2022 & Financial Strategy	17
2019 in Review	19
Community Safety	19
Social & Inclusive	20
Transportation & Mobility	20
Vibrant Neighbourhoods	21
Economic Resiliency	22
Environmental Protection	23

▲ CORPORATE PRIORITIES

Financial Management, Clear Direction, People	25
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▲ FINANCIAL INFORMATION

Index to Financial Statements	
Financial Services	27
Provision of Services & Support for Growth	27
City Reserves	28
Development Cost Charges	29
Financial Management Strategies	31
Top 10 Principal Corporate Taxpayers	32
Permissive Tax Exemptions	33
Revitalization Tax Exemptions & Heritage Building Tax Exemptions	37
Consolidated Financial Statements	
Report from the Divisional Director, Financial Services	38
Independent Auditor's Report	40
Consolidated Statement of Financial Position	42
Consolidated Statement of Operations and Accumulated Surplus	43
Consolidated Statement of Changes in Net Financial Assets	44
Consolidated Statement of Cash Flows	45
Notes to the Consolidated Financial Statements	46
Schedule 1 – Tangible Capital Assets	64
Schedule 2 – Segmented Information	66
Schedule 3 – Long Term Debt	70

▲ STATISTICAL REVIEW

Statistical Review for the Years of 2015 – 2019	73
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▲ A MESSAGE FROM THE MAYOR



On behalf of Council, I am pleased to present the City of Kelowna 2019 Annual Report. While we know that the coming year, and even years, will bring new and significant change in part due to the COVID-19 global pandemic, reflecting on the work and decisions made in the last year, I see a solid foundation and plans that will lift Kelowna above current challenges and seize the opportunities ahead of us – shaping Kelowna for the future.

Kelowna is a thriving city and an incredible place to call home. To flourish in the future, we need to be agile, resilient and unafraid to do things differently. Through the Imagine Kelowna process, we heard loud and clear from the community that as we grow, we need to look out for one another and protect the stunning environment that sustains us. Our vision for an inclusive, welcoming, prosperous and sustainable future calls upon us all to be ambitious and embrace the challenges ahead.

To help get us there, we have committed to deliver on Council's Priorities 2019 - 2022. As Council, we will focus decisions and provide direction to staff for measurable results in six areas: community safety, social and inclusive, transportation and mobility, vibrant neighbourhoods, economic resiliency (which given our current crisis, is more important than ever) and environmental protection.

Kelowna is an inclusive community for all. Over the last few years as we witnessed housing challenges, the opioid crisis and socio-economic barriers at the local, national and global level, we have stepped up to support people experiencing homelessness through collaboration and by broadening our role as a municipality to address homelessness. We continue to support the community-developed Journey Home Strategy endorsed by Council in 2018. As part of our commitment to the Strategy, we've approved the addition of more than 230 housing units with supports to be developed in our community for those in need of a home. We know that homelessness is only a symptom of a larger and multifaceted issue and that prevention is key to addressing it. This is why we supported the launch of KOaST, Kelowna's Outreach and Support Table with Kelowna RCMP and numerous community partners and why we continue to collaborate with provincial and local partner agencies on this complex issue.

To build towards Kelowna's future, we rely on strong financial management and clear plans. A significant item we decided on as a Council in 2019 was the introduction of a new development cost charge (DCC) to support parks development. We recognized that the financial impact of park development should be shouldered by multiple sources and shared between development, taxes and user revenues. Like most BC municipalities, the Parks DCC will help fund new park amenities required to support growth in our community, further enhancing our wide variety of parkland for the enjoyment of our residents and visitors.

In our most recent Citizen Survey, 79 per cent of residents told us they receive good value for their tax dollars. Kelowna remains below the provincial average for municipal property taxes. Compared to 16 similar sized communities in B.C., Kelowna ranked seventh-lowest in property taxation in 2019. As a financially resourceful municipality, average taxation accounts for approximately one third of the funding needed for the City's annual budget, with the remaining two thirds coming from other sources such as grants, reserves and fees.

Even in the face of significant challenges that have surfaced as a result of the COVID-19 pandemic, I am confident that we will be able to build upon the work completed in 2019, improve upon it and take our community and organization in new and dynamic directions. Together we can ensure Kelowna continues to be a great place to live and is a municipality that embraces innovation, collaboration and community spirit.



*Mayor Colin Basran
City of Kelowna*

▲ A MESSAGE FROM THE CITY MANAGER



While the Annual Report is a look back, as I write this we already know the year ahead will be one where our community, economy, residents and organization must navigate through the unprecedented challenges that continue to materialize as a result of the COVID-19 health crisis. But I firmly believe that our strong financial management practices, our ability to adapt, and our passion to innovate will see us emerge even stronger. Our strong foundation will serve us well into 2020 and beyond.

As a municipality, our role is to lead responsibly and be accountable to Council, our residents, businesses, and community partners. We are always looking for ways to improve our core services, finding more efficient means of delivering programs and ensuring Kelowna is a great place to live, invest and do business. This includes leveraging our beautiful parks, providing new recreational opportunities, and supporting our arts, technology and aviation sectors. It also includes maintaining critical basic services such as; police, fire and bylaw, road and park maintenance, recreational programming, business licensing, development permitting and delivering clean and safe water. However, developing a City of the Future is about more than basic services, it's also about forecasting the future and positioning Kelowna to take advantage of global opportunities.

At our core, strong financial management allows us to propel our community forward. Our residents and business owners place their trust in us to be responsible stewards of their tax dollars. The 2019 Annual Report demonstrates the financial transparency and accountability that is expected. Within these pages, I invite you to read more about the great work completed by our dedicated staff, and the foundations we are establishing to create a safe, inclusive and thriving city.

Looking back at 2019, one highlight for me includes the launch of Council Priorities 2019-2022. The four-year strategic direction for Kelowna outlines the results we want to achieve during Council's term and is a way for us to deliver on the community's Imagine Kelowna vision. Council and corporate priorities are strongly aligned. In spring 2020 we published the **first-ever progress** report showing actions where we are trending in the right direction or whether we still have work to do.

The infrastructure levy was introduced in 2019 to help bring in the funding necessary to develop, maintain and renew the infrastructure our citizens rely on. This funding has supported projects such as Mill Creek Flood Protection work and upgrades to roads and transportation projects in 2019. Other capital projects of note include the Sutherland active transportation corridor and continued work on the Ethel active transportation corridor. These are significant additions to our active transportation networks as we invest in connecting high-density areas, in ways comfortable for cyclists of all ages and abilities. 2019 also saw the completion and launch of the 2020-2025 Cultural Plan, which will enhance cultural vitality and community spaces around Kelowna.

The municipally-owned and operated Kelowna International Airport, one of our economic pillars, welcomed more than two million passengers in 2019. In order to keep pace with growth and to enhance the passenger experience, we introduced a number of enhancements: a new Kid's Zone, the repavement of the airfield, aprons, taxiways and runway, and 600 new long-term parking spaces.

We also conducted our first Public Safety and Crime Survey with Kelowna residents in 2019 with almost 100 per cent of residents reporting that they feel safe in their neighbourhood and in their residence. However, as a growing city, we know there is still work to be done. This is one reason we hired the City's first Community Safety Director and invested heavily in our front-line safety positions in 2019, with seven new RCMP members, three bylaw officers and five safety support staff.

Without exception, each year brings change, challenge and opportunity. As I reflect on 2019, I see where we have met change, overcome challenges and leveraged opportunity, making me confident that our ability to be collaborative, innovative and resilient will continue to serve us well for the road ahead.



Doug Gilchrist
City Manager, Kelowna



OUR COMMUNITY

Kelowna is located along the beautiful shores of Okanagan Lake, in the heart of the stunning Okanagan Valley. With a four-season lifestyle, the lake offers opportunities for boating, swimming or fishing, while nearby mountains attract hikers, skiers and outdoor enthusiasts. From scenic golf courses to bustling urban centres with delectable restaurants, award-winning wineries and breweries, local shopping, museums, live entertainment and cultural festivals, residents and visitors enjoy it all in Kelowna.

Nearly all citizens (94 per cent) rate the quality of life in Kelowna as good or very good thanks to active/recreational opportunities, safety, its accessible location, job opportunities, and the great weather. We are active and we are drop-dead gorgeous.

The technology sector has seen us dubbed as the silicone valley of the north and is a pillar of the regional economy. Dynamic tourism, post-secondary education, construction, real estate, healthcare and deep-rooted agriculture sectors are drivers of our economy.

As a desirable place to live, Kelowna remains one of Canada's fastest growing cities. By 2040, we expect a growth of more than 50,000 new residents who will call Kelowna home.

133,800

RESIDENTS CALL KELOWNA HOME



#1 SPORT HOST CITY

AWARDED BY THE CANADIAN SPORT-TOURISM ALLIANCE FOR A MID-SIZED CANADIAN CITY



WINERIES



CRAFT BREWERIES



GOLF COURSES

23,000

POST-SECONDARY STUDENTS
UBC OKANAGAN & OKANAGAN COLLEGE CAMPUSES

\$1.6 BILLION

REGIONAL TECH SECTOR

Accelerate Okanagan & Central Okanagan Economic Development Commission, 2018

OUR CITY

The City of Kelowna is open to opportunities, open for business and open to new ideas from our diverse residents. The organization is led by our dedicated City Manager, Mayor and Council. More than 1,000 employees deliver quality services to ensure our City is safe, vibrant and sustainable. A fiscally responsible municipality, the City provides core services, maintains existing infrastructure and builds new amenities when needed.

The public is kept informed of City projects and progress through an array of **publications, social media channels** and the user friendly and mobile responsive **kelowna.ca** website which allows residents to place service requests online and stay informed. Citizens can also provide input and be involved on key projects through the City's online engagement platform **getinvolved.kelowna.ca**. Engaged citizens help build strong neighbourhoods and create a city that is welcoming and inclusive.

2018 CITIZEN SURVEY

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

94%

RATED THE QUALITY OF LIFE AS GOOD OR VERY GOOD

87%

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

79%

SAY THEY RECEIVE GOOD VALUE FOR THEIR TAXES

87%

DESCRIBE THE COMMUNITY AS BEING SAFE

TOP ISSUES

51%

SOCIAL ISSUES

43%

TRANSPORTATION

11%

CRIME & SAFETY

TOP 5 PRIORITIES FOR INVESTMENT



▲ MAYOR & COUNCIL

The City of Kelowna is governed by an elected Mayor and eight Councillors for a four-year term (2018-2022). Led by Mayor Colin Basran, Kelowna City Council is committed to building on the momentum of past Councils and being open for opportunity through community engagement and partnerships. It is consistent and transparent in decisions,

creating a favourable environment for customer service, development and business in Kelowna. Council meets regularly and the public is welcome to attend any open meeting or provide feedback in writing via mail or email.

kelowna.ca/council



COLIN BASRAN
Mayor



MAXINE DEHART
Councillor



RYAN DONN
Councillor



GAIL GIVEN
Councillor



CHARLIE HODGE
Councillor



BRAD SIEBEN
Councillor



MOHINI SINGH
Councillor



LUKE STACK
Councillor



LOYAL WOOLDRIDGE
Councillor

▲ CIVIC & COMMUNITY AWARD WINNERS



45th Annual Civic & Community Award Recipients

Honouring individuals and organizations for outstanding contributions and achievements in 2019 that directly benefited the community, making Kelowna a great place to live, work and play.

The following recipients were recognized at a virtual awards presentation on July 2, 2020.

RANDY BENSON

Anita Tozer Memorial Award – bestowed by Council

DARCY RYSZ

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

KSS OWLS AAAA GIRLS VOLLEYBALL TEAM

Bryan Couling Memorial Award – Athletic Team of the Year

MADELYN HETTINGA

Female Athlete of the Year Award

TREVOR BRIGDEN

Male Athlete of the Year Award

MADELYN HETTINGA

*Female Augie Ciancone Memorial Award –
Top High School Athlete*

ROAN MCCARTHY

*Male Augie Ciancone Memorial Award –
Top High School Athlete*

OPERATION TAKE TWO

Champion for the Environment Award

SARAH MCINTYRE

Teen Honour in the Arts Award

ERIN SCOTT

Honour in the Arts Award

ABBY KIEHLBAUCH

Young Citizen of the Year

AL HILDEBRANDT

*Fred Macklin & Sarah Donalda-Treadgold Memorial Award –
Citizen of the Year*

AVALON EVENT RENTALS

Corporate Community of the Year Award

PROJECT LITERACY

*Central Okanagan Foundation –
Volunteer Organization of the Year Award*

AWARDS & RECOGNITION

The City of Kelowna received a number of awards and recognition in 2019 including:

GOVERNMENT FINANCE OFFICERS ASSOCIATION CANADIAN AWARD FOR FINANCIAL REPORTING

2018 Annual Report

This is the 17th consecutive year the City has received the award recognizing excellence in governmental accounting and reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION DISTINGUISHED BUDGET PRESENTATION AWARD

2019 Financial Plan

This is the 18th consecutive year the City has received the highest form of recognition for governmental budgeting.

AGE-FRIENDLY BC RECOGNITION

BC Ministry of Health

Recognizing the *Community For All Action Plan*, and how Kelowna uniquely offers opportunities for seniors, people of all ages and abilities to stay active, enjoy good health and connect with their community.

BC CLIMATE ACTION COMMUNITY – CLIMATE LEADER

Union of British Columbia Municipalities (UBCM) Green Communities Committee (GCC)

ESRI CANADA'S AWARD OF EXCELLENCE

Recognized for developing a Model City parcel-based GIS tool that creates a digital twin of Kelowna to pool property data to advance evidence-based decisions.

GOLD QUILL AWARD OF MERIT

International Association of Business Communicators

For the Pick Your Path to 2040 engagement exhibit for residents to give feedback on possible growth scenarios with results being used in the Official Community Plan and Transportation Master Plan updates.

GOLD AWARD FOR EXCELLENCE IN PLANNING

Planning Institute of British Columbia

For the *Equity and Inclusion in Housing Needs Assessments*

2019 BC CLIENT OF THE YEAR AWARD

Association of Consulting Engineering Companies

2019 CITY OF EXCELLENCE AWARD FOR SAFETY

BC Municipal Safety Association

The City of Kelowna was presented with the *Education Award* in recognition of our collaborative efforts with FortisBC to promote safe excavation practices.

WORKSAFE BC CERTIFICATE OF RECOGNITION

Resulting in \$190,000 premium rebate.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

**City of Kelowna
British Columbia**

For its Annual
Financial Report
for the Year Ended

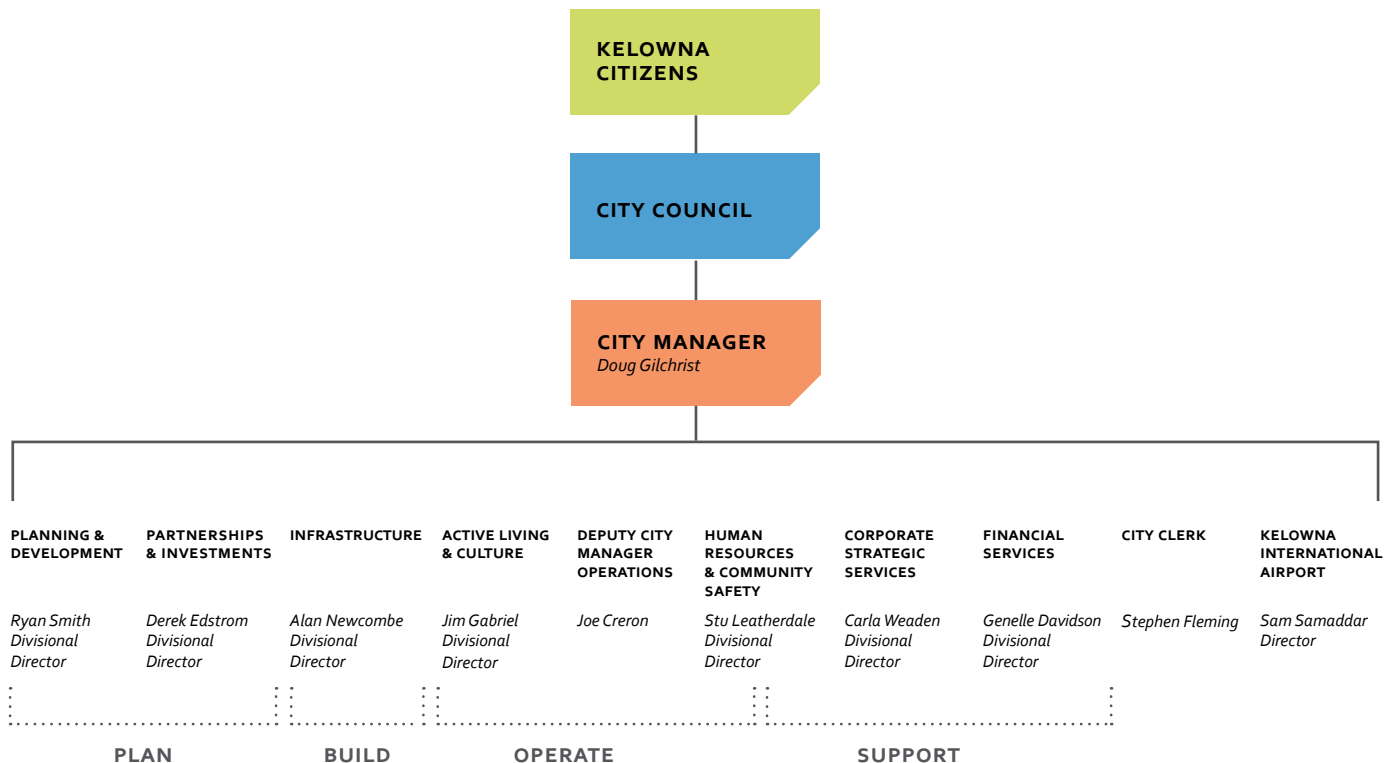
December 31, 2018

Executive Director/CEO



ORGANIZATION CHART

As at December 2019





COUNCIL PRIORITIES



▲ COUNCIL PRIORITIES 2019-2022

IMAGINE KELOWNA: VISION INTO ACTION

Council Priorities 2019-2022 identifies the strategic shifts, improvements and changes that are important to Council, the community and organization. It is an open and accessible commitment to how we will advance the **Imagine Kelowna** vision within the next four years. It will focus the work we do to become the Kelowna residents told us they want to see.

Results summary: Council | corporate

		Community safety	Social & inclusive	Transportation & mobility	Vibrant neighbourhoods	Economic resiliency	Environmental protection
		Imagine Kelowna: vision into action	Council priorities	Crime rates are decreasing	Policy guides where the City invests resources	Investments are connecting high density areas More trips by transit, carpooling, cycling & walking	Number of urban centre development plans is increasing Site design & architecture is high quality, context sensitive
Residents feel safe	Homelessness is decreasing			Travel times are optimized Emerging technologies make it easier to get around	Affordable & attainable housing mix options Accessible and multi-purpose amenities	Too talent is living in Kelowna	Predictive modelling & forecasting
Data and analysis is used to understand problems & target responses	Inclusivity and diversity are increasing			More opportunities to learn about transportation People of all ages & abilities can easily get around	Animated parks & public spaces Key sites are proactively planned	Key economic sector impact is increasing	Emergency response & preparation
Imagine Kelowna: vision into action	Corporate	Financial management					
		Lower value activities are improved or stopped	Non-tax revenues are increasing		Cost to deliver services is quantified		
		Clear direction					
Imagine Kelowna: vision into action	Corporate	Common understanding of future direction	Progress on results is measured, monitored & reported	Divisional business plans are created	Divisions have and use performance measures	Innovation is encouraged & supported	Services, processes & business activities are transformed
		People					
Imagine Kelowna: vision into action	Corporate	Ability to attract, select & retain talent	Collaboration is improving problem solving		Staff engagement has increased	Organizational values prepare us for the future	

Imagine Kelowna: vision into action | Council priorities 2019-2022 | 7

▲ FINANCIAL STRATEGY: STRENGTH & STABILITY

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

FINANCIAL STRATEGY

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

FINANCIAL PRINCIPLES

- Sufficient
- Pragmatic
- Flexible
- Transparent
- Balanced

PLANS THAT INFLUENCE FINANCIAL DECISIONS

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



▲ A LOOK BACK AT 2019

Through **Imagine Kelowna** residents told us we need to be agile, resilient and unafraid to do things differently based on four principles: connected, collaborative, responsible and smarter. As we look back at services delivered and our accomplishments in 2019 we invested in safety, embraced diverse transportation options, created great public spaces, took action to be resilient in the face of climate change, addressed emergent community issues including housing diversity and affordability and supported healthy neighbourhoods.

Imagine Kelowna is a vision to 2040 and in 2019 we laid the foundation through strategic long-term planning to help get us there. This included the launch of **Council Priorities 2019-2022**. It is our strategic direction with commitments by Council and the organization of the results we want to see in the next four years.

We also **introduced an infrastructure levy** to address the nearly \$500 million infrastructure deficit identified in the 10-Year Capital Plan. Strong financial management is the pillar of how we are able to best serve the community and deliver infrastructure and initiatives that will continue to make Kelowna an attractive place to live, work and invest in.

▲ COMMUNITY SAFETY

In 2019 we conducted a **Public Safety and Crime Survey** to gain insight into residents' perception of crime and feelings of safety in the city. What we found was that nearly all residents feel very safe or somewhat safe in their neighbourhood during the day (99%). However, we heard that the primary reason for residents in all regions rating their neighbourhood as unsafe is the presence of people without homes and open drug use. In addition, citywide, residents think the most important crime-related problems are breaking and entering/property crimes and drug use.

Overall, nearly three-in-ten residents (28%) have been a victim of a crime in Kelowna in the past year. Of those, just over half (53%) say that they reported the crime to the police. To help encourage residents to report all crimes to the RCMP we supported the launch of the Kelowna **RCMP's Online Crime Reporting Tool** pilot project for residents to report non-emergency crimes online.

Security cameras and improved lighting installed at both Chapman and Memorial Parkades have increased visibility in an effort to help residents feel safer when parking their vehicles. We also collaborated with enforcement and security partners to enhance street level and civic facility security on the Okanagan Rail Trail, Leon Avenue, City parkades and parks.



▲ SOCIAL & INCLUSIVE

We continue to support the **Journey Home Strategy**; addressing homelessness in collaboration with community partners and other levels of government was a key focus in 2019, particularly as the winter approached and providing emergency sheltering to support our most vulnerable residents was a necessity.

We worked diligently with community and Provincial partners to find solutions to keep everyone safe and maintain access to the services they need. As is our legal obligation, the City **designated two emergency winter sheltering sites** which included security presence (private, Bylaws and RCMP), a warming tent and provisions in December. We also supported the opening of a temporary emergency shelter on Fuller Avenue in late December which provided 40 spaces for those without shelter.

In support of a housing-first model, Council approved three housing with supports sites to be developed by BC Housing. Combined, the housing to be provided at the McCurdy Road, McIntosh Road and Agassiz Road will add more than 150 units to help those experiencing homelessness to transition into homes with support. These are in addition to the opening of Hearthstone and Heath House in late 2018 and early 2019 which, combined, provided homes to nearly 90 individuals.



**COLLABORATING WITH
INDIGENOUS PARTNERS**



**ESTABLISHED
OFFICIAL TERRITORIAL
ACKNOWLEDGEMENT
LANGUAGE & PROTOCOL**

UNVEILED

**THE MONUMENT OF SYILX CHIEF,
CHARLIE SWKN'UT IN PARTNERSHIP
WITH WESTBANK FIRST NATION**



UPGRADED

**THE FIRST NATIONS DISPLAY AT YLW IN
COLLABORATION WITH WESTBANK FIRST NATION**

▲ TRANSPORTATION & MOBILITY

We want people of all ages and abilities to get around the city easily. In 2019, work continued on developing our **Transportation Master Plan** to 2040, which will be unveiled in 2020. It is a long-range plan that will identify strategic, prioritized investments needed over the next 20 years to create a safe, cost-effective and sustainable transportation network.

We continued to invest in expanding our active transportation corridors with the opening of the new **two-way cycle tracks on Sutherland Avenue and Ethel Street** – making it easier and safer for residents to choose biking as their option to get around.

We also launched a bikeshare permit program that includes electric bicycles, electric scooters and pedal bikes, resulting in almost four times more utilization of each mode of transportation per day, compared to last year's pedal-bike program.

Council also endorsed recommendations of the **Downtown Parking Plan**, with the intent to improve availability of short-term parking spaces, ensure the system pays for itself so that general taxation is not impacted, improve customer service and provide a balanced transportation network for residents. Recommendations will be implemented through 2019 and 2020.

Maintaining our roads and sidewalks is an essential part of what we do to serve residents. In 2019, the City spent \$4.47 million to re-surface nearly 42.2 lane kilometres along 19 different road segments in the springtime, the City also spent \$2.4 million for snow removal. We also added new sidewalk sections including on: Rutland Road near Belgo Elementary, between Venus Road and Holbrook Road West, on Gordon Drive between Clement Avenue and Trench Place, and on Hollywood Road between Highway 33 and Hollydell Road.

VIBRANT NEIGHBOURHOODS

In 2019 we were able to complete the repairs, renovations and re-open the popular City Park Water Park which was damaged beyond use during the 2017 flooding. Construction included an entirely new water delivery and disposal system that is now flood resistant.

We continue to look at ways to expand public beach access. In addition to access improvements the Poplar Point Drive Beach Access #1, Hobson Road Beach Access, Manhattan Drive Beach Access, and Bluebird Road North Beach Access, in 2019 we purchased a 0.16-hectare property along Lakeshore Road for \$2.7 million for the future expansion of Rotary Beach Park.

As the city continues to grow, thoughtful and comprehensive urban plans to create complete and strong neighbourhoods is a priority and a result we want to see. As an example, in 2019 Council endorsed the **Capri-Landmark Area Centre Plan**, a strategy to enhance and redevelop one of Kelowna's central neighbourhoods over the next 20 years.

We adopted a new bylaw to **allow and regulate short-term rental accommodation operations**, following extensive public and stakeholder engagement that heard from more than 2,500 people. The final regulations reflect the community's diverse needs and interests, aiming to protect long-term rentals, limit impacts to neighbourhoods and ensure equity among all accommodation providers.

In support of arts and culture in the city, the **2020-2025 Cultural Plan** was launched during the annual Culture Days celebrations in the Fall of 2019. The plan was developed with internal and external advisory groups, cultural organizations, the business sector, artists and the public to create a community-based plan for culture in Kelowna over the next six years.

ENJOY OUR PARKS!

Upgrades to parks in 2019 include:

- Rowcliffe Park
- Rutland Centennial Park
- Bankhead Park
- Glenmore Recreation Park
- Bellevue Creek Linear Park
- Mission Creek Mountain Bike Skills Park
- New pedestrian bridge at Bellevue Creek

**HOSTED THE
55+ BC GAMES**

SEPTEMBER 10 – 14

4,000 PARTICIPANTS & SUPPORTERS

1,500 VOLUNTEERS

**CELEBRATING
SPORT & ACTIVE LIVING**

▲ ECONOMIC RESILIENCY

Like an aging house that needs a roof replacement or a new furnace, City infrastructure needs ongoing maintenance investments. We also need to look ahead at our future infrastructure needs and to plan for the financial costs of our growing community. In 2019 Council endorsed the **introduction of an Infrastructure Levy** to address a nearly \$500 million infrastructure deficit identified in the 10-Year Capital Plan and a new development cost charge (DCC) to support parks development.

Complementing the levy, we also updated the Development Cost Charges (DCC) Bylaw to reflect current construction and land costs to ensure DCC revenue adequately funds infrastructure projects required to service growth.

We manage over \$3.3 billion worth of public infrastructure assets. To help us continue to be fiscally responsible and manage these effectively, in 2019 we implemented Phase 1 of the Asset Management System to track the performance, maintenance and conditions of these assets.

Kelowna International Airport (YLW), which welcomed more than 2 million passengers in 2019, is a key economic generator for the City. As the 10th busiest airport in Canada, YLW's total economic impact is 4,500 jobs and \$789 million to the province of British Columbia. Fully self-funded, it has no impact on taxation, yet the output it provides for the tourism industry, job-creation and for business travel is significant.

In 2019, we substantially completed design for Phase 1, Phase North and Phase 2 of the terminal expansion at YLW. Several improvements were made to enhance passenger experience including the addition of new Kid's Zone, an outdoor Xeriscape garden and an additional 600 long term parking spaces. YLW also upgraded all taxiway and apron lights to LED from incandescent lighting, resulting in decreased operating and maintenance costs and a longer lifespan.

- Completed \$9 million in upgrades at the Landfill – including a new access road, new filling area, irrigation system upgrades and a Surface Water Drainage Plan.

237,000+
LANDFILL VISITS

GENERATING
\$16,000,000
IN REVENUE

74 HECTARES
ACQUIRED
ON DIAMOND MOUNTAIN

WILL PROVIDE A BUFFER TO
THE LANDFILL'S POTENTIAL
DUST, NOISE & ODOUR

ENVIRONMENTAL PROTECTION

We know first-hand through the flooding and wildfire events experienced in the past few years, the devastating effects natural disasters and climate change can have on the community.

2019 saw us continue to recover from past events, notably the 2017 flooding, but also saw us invest in proactive mitigation efforts through partnerships and securing grants and funding from different levels of government. This included a \$22 million funding contribution from the Government of Canada Disaster Mitigation and Adaption Fund to support the Mill Creek Flood Protection project. This eight-year program will result in added resiliency to potential flood events throughout the city.

We also completed a Kelowna Major Systems Flood Risk Assessment using a \$250K grant from the National Disaster Mitigation Program. This analysis of existing infrastructure and natural assets was conducted for potential flood events from Okanagan Lake, Mill Creek, Bellevue Creek, Brandt's Creek and Gopher Creek. We also started work on new and updated Flood Hazard Mapping to more precisely identify flood prone areas impacted by storms and climate change using a \$150K grant from Union of BC Municipalities (UBCM) and the Community Emergency Preparedness Fund (CEPF) program.

New flow monitoring stations have been installed on Mill Creek and Scotty Creek. We also replaced the Spencer Road culvert crossing of Mill Creek with an enhanced flood and debris resistant arched crossing using a \$750K grant from the UBCM Community Emergency Preparedness Fund.



ADDED 4 ELECTRIC VEHICLE CHARGE STATIONS IN PARTNERSHIP WITH FORTISBC

MAINTAINED LEVEL 1 AIRPORT CARBON ACCREDITATION



▲ CORPORATE PRIORITIES



▲ FINANCIAL MANAGEMENT

The majority of the City's budget revenue comes from sources other than taxation. Examples of other sources include fees and charges, reserves and grants. Historically, taxation is approximately one-third of the funding needed for the annual budget, with the remainder coming from those other sources.

We continue to look at innovative ways to generate revenue so we can deliver services and improvements while minimizing impact to taxes. This includes continuing to expand the **City's Dark Fibre network**. Revenues increased 30 per cent in 2019. UBC Okanagan and Okanagan College are now connected and four City facilities have been added to the service connection.

We also continue to grow our partnership and advertising program. In 2019 to promote carbon monoxide (CO) safety, the **Kelowna Fire Department partnered with FortisBC** to knock on nearly 750 doors in the Lower Mission and Rutland neighbourhoods to check homes for working CO alarms. If a home did not have one, firefighters gave and properly installed on-the-spot a combined CO and smoke alarm provided by FortisBC.

▲ CLEAR DIRECTION

Launching **Council Priorities 2019-2022** was the most significant step taken in 2019 to provide clear direction of where the organization is headed in the future. We are committed to tracking and reporting on performance measures annually for increased accountability and transparency of the work we are doing to serve the community.

▲ PEOPLE

The City has more than 1,000 employees: these are, for example, the crews that pave our roads and build sidewalks, park staff who conduct daily sweeps of our parks and beaches, bylaw officers who help keep our community safe and orderly, firefighters who answer the call, landfill operators who oversee waste management to keep our city clean, water treatment plant and utilities operators who ensure it is safe for you to turn on the tap, strong leadership to guide the organization, planners who guide developers through building permits and applications, and the cashiers and accountants who process payments and ensure City finances are managed effectively and transparently. kelowna.ca/careers

771 EMPLOYEES RESPONDED

IN THE TRIENNIAL EMPLOYEE ENGAGEMENT SURVEY.



FILLED 60%

OF FULL-TIME POSITIONS THROUGH INTERNAL PROMOTIONS & TRANSFERS



13 EMPLOYEES RECEIVED

EMPLOYEE DEVELOPMENT SCHOLARSHIP AWARDS SUPPORTING THEM IN PARTIAL FUNDING AS THEY PURSUE FURTHER EDUCATION FOR CAREER DEVELOPMENT

89% SCORE

ON THE WORKSAFEBBC CERTIFICATE OF RECOGNITION AUDIT EARNING AN ANNUAL REBATE OF

\$190,000

FINANCIAL INFORMATION



▲ FINANCIAL SERVICES

The City of Kelowna is committed to financial strength and stability. The City defines this as the ability to acquire and manage a portfolio of financial and physical assets that meet the current and future needs of our community. This commitment to excellence was recognized again by the Government Finance Officers Association. In 2019 and for the seventeenth year in a row, the City was awarded the Canadian Award for Financial Reporting and for the eighteenth year, the Distinguished Budget Presentation Award.

CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Kelowna for its annual financial report for the fiscal year ended December 31, 2018. 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.

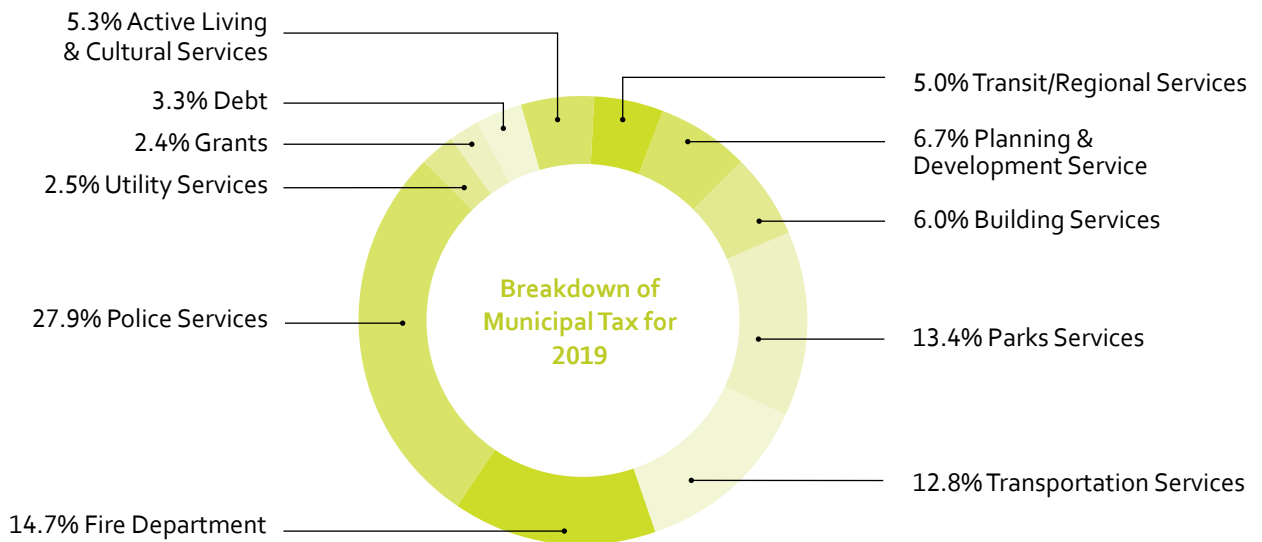
A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to meet the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA.

▲ PROVISION OF SERVICES & SUPPORT FOR GROWTH

The 2019 taxation increase averaged 4.10 per cent for all property classes. This increase reflected resources allocated to emergent issues faced by the community such as housing affordability and diversity, environmental resiliency and safety. The City was also able to continue the commitment to deliver balanced transportation options as well as renewing and expanding Kelowna parkland and waterfront access. 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.

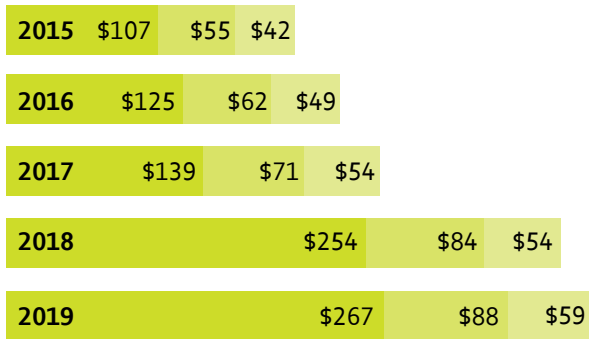
The City budgeted to collect a total of \$248.6 million in taxation revenues, 57 per cent of which was retained for municipal purposes. The remaining 43 per cent is levied on behalf of other governments and agencies to provide funding for schools, the Regional District of Central Okanagan shared services, libraries, regional hospital, Kelowna business improvement areas, and for BC Assessment to cover the City's share of costs associated with providing assessment information.

The City has historically relied on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. In 2019, 4.2 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. The 1.1 cent decrease from 2018 is due to lower interest rates on borrowing for the Police Services Facility and H2O Adventure + Fitness Centre. Pay-as-you-go capital project funding represented 9.7 per cent of the 2019 taxation requirement.



CONSOLIDATED RESERVES & SURPLUS

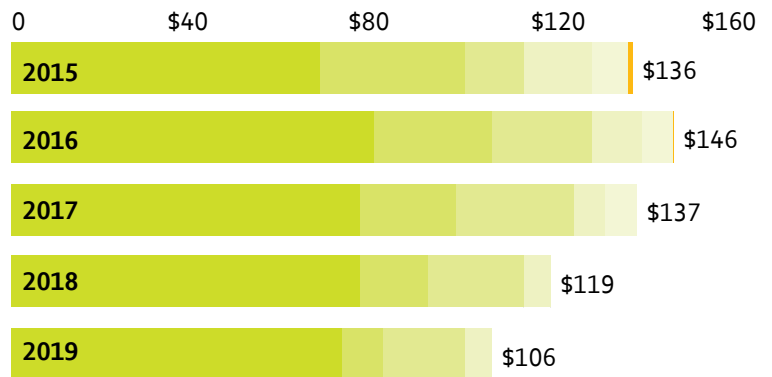
millions



● Reserve for future ● Statutory ● Surplus

LONG TERM DEBT

millions



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

CITY RESERVES

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

▲ DEVELOPMENT COST CHARGES

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

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

The latest update to the 20-Year Servicing Plan impacted DCC rates with the changes taking effect in April 2019. The DCC rates were updated to reflect the construction and land costs of the day. This plan reflects a total program cost of \$880 million. The funding for the program is 67 per cent from Development, 28 per cent from City funds, and 5 per cent from senior levels of government. Arterial Roads maintain the largest share of the program at \$518 million; followed by Park Land acquisition at \$165 million, Wastewater Treatment at \$88 million, Water Distribution at \$64 million, and Wastewater Trunks at \$45 million. Subsequent to year-end an amendment to the DCC bylaw was adopted by Council in February 2020 to allow for the collection of DCCs to fund DCC eligible park development and linear park acquisition projects to the year 2030. This bylaw amendment will result in an additional \$113 million of park infrastructure by 2030.

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 2019, a deficit in Water Sector B reserve fund was covered from Water Sector A, and a deficit in the Wastewater Treatment reserve was covered by Water Sector A and Roads Sector A reserve fund.



MUNICIPAL ASSIST FACTOR

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

City of Kelowna assist factor

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

MAJOR PROJECT EXPENDITURES IN 2019

Parks

\$6.4 million – Parkland Acquisition at 3676 Lakeshore Road, 1325 Sutherland Avenue and 1936/2012 Lindahl Street.

Roads

\$4.1 million – Stewart Road, Sutherland Active Transportation Corridor (ATC) and South Perimeter Road.

Water

\$175K – South End Water Upgrades and Skyline Pump Station.

Wastewater Trunks and Treatment

\$6.1 million – Airport Gravity Main Bypass, Guy Street Lift Station, Gyro Force Main and debt repayment.

FUTURE PLANS

Total program expenditures are projected at \$31.1 million.

Parks Acquisition

\$8.4 million – Dewdney park expansion and planned parkland acquisition.

Parks Development

\$6.0 million – Pandosy Waterfront Park, Rutland Centennial Park, Ponds Community Park, Rowcliffe Park and Gopher Creek Linear Park.

Roads

\$9.5 million – South Perimeter Road, McCulloch Road (KLO, Hall, Spiers) Improvements, Clement Avenue, Lakeshore Road (Bridge, Road and ATC), Hollywood Road and ATC, Casorso Road ATC, Dilworth ATC, Ethel ATC, Sutherland ATC, Houghton ATC and property acquisitions for road widening.

Water

\$974K – Poplar Point to Dilworth Mountain Transmission Upgrade, Offsite & Oversize Program, South End Water Upgrades and Skyline Pump Station Electrical Building Upgrades.

Wastewater Trunks and Treatment

\$6.2 million – Guy Street Lift Station, Swordy Road Sewer Upgrades, Water Street and Gyro Force Mains and debt repayment.

Development Cost Charge Reserve Funds

(thousands of dollars)

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance	Reductions/Waivers*
Parks	\$ 18,278	\$ 9,795	\$ 467	\$ 6,426	\$ 22,114	\$ 186
Roads	43,050	10,622	1,093	4,123	50,642	163
Water	13,429	822	346	175	14,422	8
Wastewater	(7,923)	6,215	(253)	6,117	(8,078)	79
Total	\$ 66,834	\$ 27,454	\$ 1,653	\$ 16,841	\$ 79,100	\$ 436

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

The DCC program underwent a minor update in 2019 and was reviewed and approved by Council.

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

▲ FINANCIAL MANAGEMENT STRATEGIES

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

The 10 financial management strategies are:

ASSETS – NEW

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

ASSETS – RENEW

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

DEBT

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

DEVELOPMENT FINANCING

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

GRANTS

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

OPERATIONS

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

PARTNERSHIPS AND ENTERPRISE

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

PROPERTY TAXATION

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

RESERVES AND SURPLUS FUNDS

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

USER FEES AND CHARGES

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

TOP 10 PRINCIPAL CORPORATE TAXPAYERS

2019

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

2018

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

▲ PERMISSIVE TAX EXEMPTIONS

Art Gallery, Museum, Heritage, Cultural Purpose

Central Okanagan Heritage Society	\$6,725
Centre Culturel Francais de l' Okanagan	\$3,496
German - Canadian Harmonie Club	\$4,930
Kelowna Art Gallery	\$79,946
Kelowna Canadian Italian Club	\$4,111
Kelowna Community Music Society	\$4,559
Kelowna Museums Society - Kelowna Centennial Museum	\$38,862
Kelowna Museums Society - Okanagan Military Museum	\$26,702
Kelowna Museums Society (Laurel Packing House)	\$31,375
Kelowna Visual and Performing Arts Centre Society	\$82,768
Okanagan Symphony Society	\$13,844
Roman Catholic Bishop of Nelson Pandosy Mission	\$1,909
Westbank First Nation	\$7

Athletic or Service Club

Central Okanagan Land Trust	\$7,539
Central Okanagan Small Boat Association	\$26,805
East Kelowna Community Hall Association	\$2,156
H2O Adventure & Fitness Centre	\$208,636
Kelowna & District Fish & Game Club	\$3,927
Kelowna Badminton Club	\$7,662
Kelowna Cricket Club	\$463
Kelowna Curling Club	\$41,922
Kelowna Lawn Bowling Club	\$9,971
Kelowna Major Men's' Fastball Association	\$17,113
Kelowna Minor Fastball Society	\$1,485
Kelowna Outrigger Racing Canoe Club Society	\$20,375
Kelowna Riding Club	\$4,299
Kelowna United Football Club	\$290
Kelowna Yacht Club	\$8,564
Nature Trust of BC	\$42,974
Okanagan Gymnastic Centre	\$14,201
Okanagan Mission Community Hall Association	\$5,344
Rutland Park Society	\$8,817
Scouts Canada	\$9,890

Charitable or Philanthropic

Adult Integrated Mental Health Services Society	\$2,042
BC Society for Prevention of Cruelty to Animals	\$13,730
BHF Building Healthy Families Society	\$1,968
Big Brothers Big Sisters of the Okanagan Society	\$3,382
Bridges to New Life Society	\$4,117
Canadian Mental Health Association	\$7,396
Central Okanagan Community Food Bank Society	\$18,631
Central Okanagan Emergency Shelter Society	\$4,387
Daycare Connection Childcare Society	\$600
Father DeLestre Housing Society	\$4,352
Kalano Club of Kelowna	\$6,357
Kelowna & District S.H.A.R.E. Society	\$9,399
Kelowna & District Safety Council Society	\$2,792
Kelowna Centre for Positive Living Society	\$2,128
Kelowna Child Care Society	\$3,345
Kelowna Community Resources	\$20,163
Kelowna Gospel Mission Society	\$16,555
Kelowna Sr. Citizens Society of BC	\$8,086
Kelowna Yoga House Society	\$8,306
Kelowna (#26) Royal Canadian Legion	\$6,613
KGH - Rutland Auxiliary Thrift Shop	\$8,443
Ki-Low-Na Friendship Society	\$17,958
MADAY Society for Seniors	\$2,989
Mennonite Brethren Churches (Metro Community Church)	\$14,473
National Society of Hope	\$4,773
New Opportunities for Women (NOW) Canada Society	\$2,811
Okanagan Boys & Girls Clubs	\$79,878
Okanagan Halfway House Society Inc	\$7,344
Okanagan Mental Health Services Society	\$1,700
Pathways Abilities Society	\$31,645
Reach Out Youth Counselling & Services Society	\$4,673
Resurrection Recovery Resource Society Inc d.b.a. Freedom's Door	\$10,068
Salvation Army Community Resource Centre	\$24,358
Society of St. Vincent De Paul of Central Okanagan	\$3,707
Starbright Children's Development Centre Assoc.	\$18,638
The Bridge Youth & Family Services Society	\$11,166
The Society of Housing Opportunities and Progressive Employment	\$2,002
Tourism Kelowna Society	\$18,221

Hospital Licensed Under Community Care Facility Act

Canadian Cancer Society	\$18,889
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Partnering

Capital News Centre	\$69,545
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Prospera Place	\$241,675
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Private Schools

Aberdeen Hall Preparatory School Society	\$37,792
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Immaculata Regional High School	\$58,782
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Kelowna Christian Centre School	\$10,984
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Kelowna Christian School	\$4,948
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Kelowna Society for Christian Education	\$9,755
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Lutheran Church - Private School	\$10,012
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Okanagan Montessori Elementary	\$8,458
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Seventh Day Adventist Church (Private School)	\$38,558
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St. Joseph Elementary School	\$5,023
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Studio9 Independent School of the Arts (Private School)	\$4,498
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Waldorf School	\$12,274
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Public Worship

Assumption Of Blessed Virgin Mary's Parish	\$3,522
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BC Assn of Seventh Day Adventist	\$1,402
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C3 Church	\$2,906
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Christ Evangelical Lutheran Church	\$4,240
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Church of the Nazarene	\$3,149
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Evangel Tabernacle Church	\$4,948
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Evangelical Church	\$3,742
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Faith Lutheran Church	\$4,703
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First Baptist Church	\$5,073
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First Lutheran Church of Kelowna	\$10,012
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First Mennonite Church	\$3,669
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First United Church	\$5,976
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German Church of God Dominion of Canada	\$2,989
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Glenmore Congregation of Jehovah's Witnesses	\$5,044
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Grace Baptist Church	\$8,719
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Gurdwara Guru Amardas Darbar Sikh Society	\$2,613
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Immaculate Conception Parish	\$1,579
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Kelowna Bible Chapel	\$5,159
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Kelowna Buddhist Society	\$4,655
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Kelowna Christian Centre Church (School)	\$10,984
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Kelowna Christian Reformed Church	\$6,652
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Kelowna Congregation of Jehovah's Witnesses	\$2,690
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Kelowna Free Methodist Church	\$2,514
Kelowna Full Gospel Church	\$3,621
Kelowna Gospel Fellowship Church	\$5,583
Kelowna Tabernacle Congregation Church	\$1,139
Kelowna Trinity Baptist Church	\$24,234
Mennonite Brethren Churches (Willow Park Church)	\$7,019
Mission Creek Alliance Church	\$12,988
New Apostolic Church	\$2,499
New Life Vineyard Fellowship	\$22,837
Okanagan Buddhist Culture Centre	\$870
Okanagan Chinese Baptist Church	\$2,450
Okanagan Jewish Community Association	\$2,776
Okanagan Sikh Temple & Cultural Society	\$6,425
Providence Baptist Church	\$2,422
Rutland United Church	\$5,229
Salvation Army Community Church	\$8,088
Serbian Orthodox Par-Holy Proph St Ilija (Parish)	\$821
Seventh Day Adventist Church	\$17,354
Spring Valley Congregation of Jehovah's Witnesses	\$5,730
St. Aidan's Anglican Church	\$2,830
St. Andrew's Church	\$6,515
St. Charles Garnier Parish	\$1,618
St. David's Presbyterian Church	\$6,898
St. Mary's Anglican Church	\$830
St. Michaels Anglican Church	\$6,113
St. Peter & Paul Ukrainian Greek Orthodox Church	\$3,975
St. Pius X Parish	\$5,366
St. Theresa's Parish	\$4,266
The BC Muslim Association	\$2,174
The Church of Jesus Christ of Latter-Day Saints	\$7,287
The Congregation of Bethel Church	\$4,497
The Embassy Church	\$3,162
The Union of Slavic Churches of Evangelical Christians	\$1,168
Truth Now Tabernacle United Pentecostal Church	\$1,362
Unitarian Fellowship of Kelowna Society	\$1,563
Total Municipal Portion of Permissive Tax Exemption	\$1,980,705

▲ REVITALIZATION TAX EXEMPTIONS

Revitalization Tax Exemptions

Tax Incentive Area #1	269 Lawrence Ave	\$19,002
Tax Incentive Area #2	596 Leon Ave	\$4,339
	552 – 554 Leon Ave	\$22,044
Tax Incentive Area #3	110 Highway 33 W	\$42,101
	1350 St Paul St	\$4,336
	460 Doyle Ave	\$41,648
Purpose-Built Rental Housing	1155 Brookside Ave	\$29,703
	125 Dundas Rd	\$28,242
	1469 KLO Rd	\$206,637
	1525 Diskson Ave	\$43,543
	1545 Bedford Ave	\$34,157
	1745 Chapman Pl	\$17,894
	1975 Kane Rd, 420 Valley Rd	\$85,637
	2065 Benvoulin Ct	\$16,635
	2127 Ethel St	\$5,995
	305 Homer Rd	\$6,336
	598 Sutherland Ave	\$7,753
	678 Richter St	\$4,234
	720 - 724 Valley Rd	\$136,550
	755 Academy Way	\$85,302
	800 Academy Way	\$142,863
	805 Academy Way	\$52,849
	955 Leon Ave	\$25,673

Total Revitalization Tax Exemptions		\$1,063,473
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▲ HERITAGE BUILDING TAX EXEMPTIONS

Copeland House	784 Elliot Ave	\$5,127
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Total Heritage Building Tax Exemptions		\$5,127
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Total Value of Municipal Taxes Exempted		\$3,049,305
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▲ REPORT FROM THE DIVISIONAL DIRECTOR, FINANCIAL SERVICES



August 7, 2020

MAYOR BASRAN AND MEMBERS OF COUNCIL,

I am pleased to present the City of Kelowna's 2019 Annual Financial Report for the year ended December 31, 2019. The purpose of this report is to publish the City of Kelowna's Consolidated Financial Statements, Auditor's Report and to provide an update on City services and projects, pursuant to Sections 98 and 167 of the Community Charter.

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

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

The launch of Council Priorities 2019-2022 guides how the City will acquire and manage a portfolio of financial and physical assets that meet the current and future needs of our community. The City continues to monitor and report financial health indicators as part of the annual financial reporting to the Audit Committee and Council. The financial indicators show that the City is well positioned to meet current financial obligations and has resiliency to navigate through the unprecedented challenges ahead for 2020.

The City ended the year with a \$98 million increase to accumulated surplus, which now sits at \$2.14 billion. The accumulated surplus is an indicator of the City's overall financial viability and is equal to the sum of the net financial assets and non-financial assets representing resources (both financial and non-financial) that may be used to provide future services.



Revenues decreased over 2018 by \$4.8 million, mainly due to the one-time impact of integrating revenues from the South East Kelowna Irrigation District (SEKID) in 2018. Expenses increased over last year by \$11 million to \$298 million as a result of increases in protective services personnel (RCMP and Fire Prevention Officers), acquisition of land, contract increases, and the disposal and write-down related to the demolition of the former RCMP building.

The General Fund ended 2019 with an \$8.1 million unappropriated surplus from operations. \$7.6 million was put into reserves and \$0.5 million added to accumulated surplus. The accumulated surplus balance of \$4.3 million adheres to financial best practices and is to be used only for extraordinary events. For the 2019 year end this balance is 3.4 per cent of the 2019 taxation requirement.

In 2019 the City continued to plan for a safe, vibrant, and sustainable community along with balancing the community's interest in maintaining levels and quality of services. The City continued work on community safety and the Journey Home Strategy. The City invested in existing transportation and active transportation in the Sutherland Road and Ethel Street areas as well as the cycling overpass at the University. Parkland projects such as the Laurel Packinghouse courtyard, Kerry Park and Knox Mountain also saw investment in 2019. To reduce the infrastructure deficit, the City introduced an annual infrastructure levy that will be used to renew existing assets, accommodate growth and improve services that would otherwise not be funded. The City also continued work on the long-term integrated water supply implementation for South East Kelowna residents who were previously serviced by the Irrigation District. In 2019, the City continued with *Imagine Kelowna* by taking this vision into action with the Council Priorities 2019-2022 and in spring 2020, provided a progress report on its 2019 achievements.

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

Respectfully submitted,

– Genelle Davidson, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the City of Kelowna ("the City"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2019, and the results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

 Grant Thornton LLP
Chartered Professional Accountants

Kelowna, Canada
July 14, 2020

▲ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

(in thousands of dollars)

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 18,842	\$ 24,989
Accounts receivable (Note 3)	40,138	45,414
Accrued interest	2,444	1,585
Portfolio investments (Note 3)	549,192	495,817
Long term investments (Note 10)	6,000	6,000
Assets held for resale	5,072	3,455
	621,688	577,260
Liabilities		
Accounts payable	63,284	50,922
Performance deposits	28,063	21,580
Deferred revenue (Note 3)	45,404	50,382
Deferred development cost charges (Note 3)	79,100	66,834
Long term debt (Note 3)	105,615	119,340
	321,465	309,058
Net Financial Assets	300,222	268,202
Non-Financial Assets		
Prepaid expenses	10,194	3,328
Inventory	1,318	1,484
Work in progress (Note 4)	61,556	35,373
Tangible capital assets (Note 4)	1,767,122	1,733,595
	1,840,190	1,773,780
Accumulated Surplus (Note 5)	\$ 2,140,412	\$ 2,041,982

Contingent liabilities and Commitments (Notes 8 and 9)
Subsequent event (Note 17)



Genelle Davidson, CPA, CMA
Divisional Director, Financial Services



Colin Basran
Mayor, City of Kelowna

See accompanying notes to the consolidated financial statements.

▲ CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2019

(in thousands of dollars)

	Budget 2019	Actual 2019	Actual 2018
Revenue			
Taxation (Note 6)	\$ 154,981	\$ 155,624	\$ 145,944
Fees and charges	139,137	150,516	152,536
Interest earned	4,055	14,316	12,821
DCC contributions	27,523	16,841	12,929
Government transfers (Note 7)	75,679	53,016	49,019
Other capital contributions	5,694	4,523	23,028
Gain on disposal of tangible capital assets	–	1,241	4,603
	<u>407,069</u>	<u>396,077</u>	<u>400,880</u>
Expenses			
General government	36,591	31,804	30,373
Protective services	65,126	65,549	60,946
Transportation	37,837	64,443	63,743
Recreation & cultural	38,375	45,460	44,642
Other services	23,439	27,711	24,138
Airport	17,497	24,502	23,004
Natural Gas Legacy	–	–	2,723
Wastewater	13,572	22,549	22,608
Water	10,439	13,380	13,458
Loss on disposal of tangible capital assets	–	1,085	462
Write down of tangible capital assets	–	1,164	486
	<u>242,876</u>	<u>297,647</u>	<u>286,583</u>
Annual Surplus	<u>\$ 164,193</u>	<u>98,430</u>	114,297
Accumulated Surplus, beginning of year		<u>2,041,982</u>	1,972,685
Accumulated Surplus, end of year		<u>\$ 2,140,412</u>	<u>\$ 2,041,982</u>

See accompanying notes to the consolidated financial statements.

▲ CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2019
(in thousands of dollars)

	Budget 2019	Actual 2019	Actual 2018
Annual Surplus	\$ 164,193	\$ 98,430	\$ 114,297
Amortization of tangible capital assets	–	67,697	66,989
Proceeds from disposal of tangible capital assets	–	1,463	39,148
(Gain) loss on disposal of tangible capital assets	–	(156)	(4,141)
Write down of tangible capital assets	–	1,164	486
Acquisition of tangible capital assets	(240,079)	(129,376)	(114,637)
Contributions of tangible capital assets	–	(502)	(19,253)
Change in inventory and prepaid expenses	–	(6,700)	(993)
Increase (decrease) in Net Financial Assets	(75,886)	32,020	81,896
Net Financial Assets, beginning of year	268,202	268,202	186,306
Net Financial Assets, end of year	\$ 192,316	\$ 300,222	\$ 268,202

See accompanying notes to the consolidated financial statements.



▲ CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

(in thousands of dollars)

	Actual 2019	Actual 2018
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 98,430	\$ 114,297
Adjustment for non-cash items		
Amortization of tangible capital assets	67,697	66,989
(Gain) loss on disposal of tangible capital assets	(156)	(4,141)
Write down of tangible capital assets	1,164	486
Actuarial adjustment on long term debt	(3,266)	(6,545)
Contributions of tangible capital assets	(502)	(19,253)
Termination of debt	–	(2,132)
Decrease (increase) in		
Accounts receivable	5,276	(11,694)
Inventory and prepaid expenses	(6,700)	(993)
Other assets	(2,475)	(160)
Increase (decrease) in		
Accounts payable	12,362	6,979
Deferred development cost charges	12,266	24,067
Other liabilities	1,505	(98)
	185,601	167,802
Capital		
Acquisition of tangible capital assets	(129,376)	(114,637)
Proceeds from disposal of tangible capital assets	1,463	39,148
	(127,913)	(75,489)
Investing		
Change in investments	(53,376)	(78,553)
Financing		
Proceeds from issuance of long term debt	2,952	8,485
Repayment of long term debt	(13,411)	(17,903)
	(10,459)	(9,418)
Net increase (decrease) in cash and cash equivalents	(6,147)	4,342
Cash and cash equivalents, beginning of year	24,989	20,647
Cash and cash equivalents, end of year	\$ 18,842	\$ 24,989
Non-cash capital activities		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 502	\$ 19,253

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

(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, 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.

Accrual accounting

The accrual method for reporting revenues and expenses has been used. Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. Expenses are recognized in the period in which the goods or services are acquired and a liability is incurred.

Assets held for resale

Assets 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 asset for sale.

Inventory

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

Municipal Finance Authority cash deposits and demand notes

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

	2019	2018
Cash deposits held by MFA	\$ 1,906	\$ 2,401
Demand notes held by MFA	4,655	6,731
	<u>\$ 6,561</u>	<u>\$ 9,132</u>

Municipal pension plan

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

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.

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%.

Work in progress

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

Tangible capital assets

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

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

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

Contributions of tangible capital assets

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



Amortization

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

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

Land and Work in Progress are not amortized.



Revenue recognition

Taxation revenue

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

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

Fees and charges revenue

Charges for transportation, environmental health, building permits, water, wastewater, 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.

Development Cost Charges (DCC) contributions

Development Cost Charges (DCC) contributions are recognized as revenue during the period in which the related costs are incurred.

Government transfers

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

Investment income

The City's investments are disclosed in Note 3.

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

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

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

Expenses

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

Liability for contaminated sites

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

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

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

In late 2019, the City acquired and accepted responsibility to remediate a site located on Harvey Avenue. Clean up activities are expected to take place in 2020, primarily consisting of soil delineation and groundwater monitoring. Recognition of a liability in the amount of \$130,000 is based on contractor estimates of the work expected to be undertaken.

There were no liabilities recorded as at December 31, 2018.

Use of estimates

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

2. FUTURE ACCOUNTING CHANGES

PS 3280 Asset retirement obligations

This section revises and replaces the existing Section PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. This section applies to fiscal years beginning on or after April 1, 2022, with early adoption permitted.

PS 3400 Revenues

This section establishes standards on how to account for and report on revenue. This section applies to fiscal years beginning on or after April 1, 2023, 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, 2022, with early adoption permitted. Adoption of this standard requires corresponding adoption of PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3041 Portfolio Investments in the same fiscal period.

- **PS 1201 Financial Statement Presentation**

This section revises the general reporting principles and standards for the disclosure of information in the financial statements. This section applies to fiscal years beginning on or after April 1, 2022, 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, 2022, 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, 2022, with early adoption permitted.



3. FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents

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

Accounts receivable

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

Type of receivable	2019	2018
Property tax	\$ 4,888	\$ 4,279
Trade receivables	13,732	17,169
Due from government	1,448	5,748
Due from provincial government	6,613	4,373
Due from regional government	146	64
Utilities	5,333	3,996
Deferred development cost charges	7,978	9,785
	<u>\$ 40,138</u>	<u>\$ 45,414</u>

Portfolio investments

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

Type of investment	2019	2018
Municipal Finance Authority bond / Intermediate Funds	\$ 108,795	\$ 106,139
Provincial and bank issued bonds	100,826	95,030
Publicly traded shares	65,232	62,748
Guaranteed Investment Certificates and deposit notes	274,339	231,900
Total Portfolio investments	<u>\$ 549,192</u>	<u>\$ 495,817</u>

The quoted market value of the publicly traded shares at December 31, 2019 was \$103.86 million (2018 – \$85.91 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 less 0.50%. At December 31, 2019 the balance outstanding was \$nil (2018 – \$nil).

Deferred revenue

The City records deferred revenue for funds received in advance of 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	2018	Receipts	Interest	Transfers Out	2019
Tax prepayments	\$ 19,839	\$ 37,660	\$ 194	\$ 36,914	\$ 20,779
Construction	12,901	2,518	206	690	14,935
Grants	8,510	–	9	8,374	145
Other	4,819	6,499	16	6,033	5,301
Local Area Service	4,313	186	–	255	4,244
Total	\$ 50,382	\$ 46,863	\$ 425	\$ 52,266	\$ 45,404

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.

	2018	Receipts	Interest	Transfers Out	2019
Parks	\$ 18,278	\$ 9,795	\$ 467	\$ 6,426	\$ 22,114
Roads	43,050	10,622	1,093	4,123	50,642
Water	13,429	822	346	175	14,422
Wastewater	(7,923)	6,215	(253)	6,117	(8,078)
Total Deferred DCC	\$ 66,834	\$ 27,454	\$ 1,653	\$ 16,841	\$ 79,100

Long term debt

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

	Total
2020	\$ 13,029
2021	11,024
2022	10,385
2023	9,141
2024	8,705
2025 and thereafter	53,331
Total	\$ 105,615

Total debt issued was \$205.5 million and total debt payable at December 31, 2019 was \$105.6 million (2018 – \$119.3 million).

Schedule 3 provides a breakdown of long term debt.

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

	2019 Work in progress	2019 Tangible capital assets (NBV)	2018 Work in progress	2018 Tangible capital assets (NBV)
Land	\$ –	\$ 319,486	\$ –	\$ 303,532
Land improvements	116	36,697	327	37,168
Buildings	5,132	191,499	2,762	194,848
Infrastructure	55,335	1,140,750	31,013	1,121,799
Machinery and equipment	973	78,690	1,271	76,248
	\$ 61,556	\$ 1,767,122	\$ 35,373	\$ 1,733,595

Contributions received in 2019 include:

Type of contribution	2019	2018
Land	\$ 420	\$ 2,326
Land improvements	–	122
Buildings	–	126
Infrastructure	82	16,420
Machinery and equipment	–	259
Total Contributed tangible capital assets	\$ 502	\$ 19,253

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

During the year, tangible capital assets with a cost of \$1,164,262 (2018 – \$486,223) were written off due to impairment.



5. ACCUMULATED SURPLUS

	Reserves for Future Expenditures	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2019	Total 2018
Accumulated surplus, beginning of year	\$ 253,740	\$ 83,696	\$ 54,168	\$ 1,650,378	\$ 2,041,982	\$ 1,927,685
Annual surplus (deficit)	5,666	2,291	110,190	(19,717)	98,430	114,297
Transfers	36,392	2,369	(38,761)	–	–	–
Acquisition of tangible capital assets	(28,920)	–	(52,977)	81,897	–	–
Repayment of long term debt	–	–	(13,411)	13,411	–	–
Accumulated surplus, end of year	\$ 266,878	\$ 88,356	\$ 59,209	\$ 1,725,969	\$ 2,140,412	\$ 2,041,982



Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Annual Surplus	Balances, End of Year
Non-Statutory Reserves					
General Fund reserve	\$ 187,759	\$ 14,796	\$ 26,025	\$ 4,550	\$ 203,538
Airport Fund reserve	25,733	20,184	24,170	617	30,336
Waste Water Fund reserve	12,154	3,978	2,443	58	10,677
Water Fund reserve	28,094	12,052	5,844	441	22,327
	253,740	51,010	58,482	5,666	266,878
Statutory Reserves					
Parking reserve	6,181	3,979	4,106	182	6,490
Land reserve	14,772	7,465	2,868	375	10,550
Capital works, machinery and equipment reserve	62,743	21,028	27,867	1,734	71,316
	83,696	32,472	34,841	2,291	88,356
Surplus by Fund					
General Fund surplus	4,458	110,670	45,751	64,784	4,323
Airport Fund surplus	1,475	25,266	3,729	22,469	2,407
Waste Water Fund surplus	35,148	18,099	10,038	13,816	40,903
Water Fund surplus	13,087	10,632	–	9,121	11,576
Accumulated Surplus	54,168	164,667	59,518	110,190	59,209
Investment in Non Financial Assets					
Investment in tangible capital assets	1,650,378	13,411	108,719	(19,717)	1,725,969
Accumulated Surplus	\$ 2,041,982	\$ 261,560	\$ 261,560	\$ 98,430	\$ 2,140,412



6. TAXATION

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

	2019	2018
Taxes collected		
Property taxes	\$ 243,487	\$ 229,253
Local improvement levies	146	158
Frontage tax – water	1,527	1,483
Specified sewer area recoveries	1,358	1,398
Grants in lieu of taxes	583	570
Levies	7,557	7,316
	254,658	240,178
Less transfers to other governments		
Province of BC (school taxes)	72,384	68,641
BC Assessment Authority	2,038	1,981
Regional Hospital District	12,147	11,691
Regional District of Central Okanagan	12,465	11,921
	99,034	94,234
Net taxes available for municipal purposes	\$ 155,624	\$ 145,944



7. GOVERNMENT TRANSFERS

Government transfers are the major source of transfers to the City. Government transfers received are for completed projects that meet the required criteria as set out by the Government body providing the funding. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. Due to the completion of projects in 2019 there are no deferred revenue balances related to these transfers. In 2019 the City received and recorded as revenue the following transfers:

	2019	2018
Operating transfers		
Federal	\$ 166	\$ 173
Provincial	20,756	19,637
Other governments	226	212
	<u>21,148</u>	<u>20,022</u>
Capital transfers		
Federal	16,801	12,328
Provincial	15,067	16,639
Other governments	–	30
	<u>31,868</u>	<u>28,997</u>
Total Government transfers	<u>\$ 53,016</u>	<u>\$ 49,019</u>



8. CONTINGENT LIABILITIES

Regional District of Central Okanagan

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

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

Pension liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City of Kelowna paid \$7.5 million (2018 - \$7.2 million) for employer contributions while employees contributed \$6.3 million (2018 - \$5.9 million) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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

Post employment benefits

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

Legal actions

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

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

9. COMMITMENTS

Agreements, contracts and purchase orders

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

The City has purchase orders open as at December 31, 2019 which have not been recorded in the accounts. The balance of these open purchase orders is 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 Environment & Climate Change Strategy, the City has agreed to obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. As currently engineered, and based on current waste disposal patterns, the landfill has a remaining life expectancy of 89 years. The estimated length of time needed for post-closure is 80 years.

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

The City's liability for these landfill closure and post-closure care cost expenditures is recognized as the landfill site's capacity is used. The reported liability of \$4.1 million (2018 – \$4.0 million) represents the portion of the estimated total expenditure recognized as at December 31, 2019. The remaining capacity of the landfill site is estimated at 27.2 million tonnes which is 91% of the site's total capacity.

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

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

YMCA of Okanagan Association loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA of Okanagan Association, guaranteed repayment in the event that the YMCA of Okanagan Association defaults on a \$1.8 million, 20-year loan issued in 2001. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA of Okanagan Association. During 2010 an amendment was made to the agreement for additional financing of \$700,000 for a 20-year term. As at December 31, 2019, the outstanding loan balance was \$660,443 (2018 – \$765,079). The City does not expect to make any payments on the guarantee and no amounts have been accrued in the financial statements.

Multi-Purpose Facility Public/Private Partnership

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

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

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

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

The year 2019 represented year 21 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:

2004	Year 6	\$13.2 million
2009	Year 11	\$11.9 million
2014	Year 16	\$10.4 million
2019	Year 21	\$6.7 million
2024	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.

For years up to and including 2018, 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 payments of \$13.2 or \$11.9 or \$10.4 million otherwise due to RG Arenas (Kelowna) Ltd. in years 6 or 11 or 16.

In 2019 (Year 21), the City chose to exercise its option to prepay for community use time rather than renew annually and made a lump sum payment of \$6.7 million. No further amounts are payable under the Tripartite Agreement.

Royal Canadian Mounted Police Services

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

10. LONG TERM INVESTMENTS

Kelowna Developments Ltd.

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

RG Arenas (Kelowna) Ltd.

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

11. LETTERS OF CREDIT

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$52.7 million (2018 – \$45.0 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 \$52.7 million, the City is holding irrevocable Letters of Credit in the amount of \$9.1 million (2018 - \$7.9 million) which are received from developers to ensure payment of development cost charges in future years.

12. 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, 2019 the Trust Fund balance is \$3.0 million (2018 – \$2.9 million).

13. SEGMENTED INFORMATION

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

General government

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

Protective services

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

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

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

Transportation services

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

Recreation and cultural services

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

Other services (Public Health/Environmental/Development services)

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

Airport services

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

Wastewater services

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

Water services

The Water Utility is responsible for planning, designing, building, operating and maintaining the City's Water Utility and is one of four water suppliers operating within Kelowna's boundaries. The Water Utility is accounted for in its own fund.

Natural Gas legacy services

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

Statutory reserves

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

14. EXPENSES BY OBJECT

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

15. BUDGET DATA

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

	Budget Amount
Revenues:	
Operating budget	\$ 323,258
Capital budget	83,811
	<u>407,069</u>
Expenses:	
Operating budget	242,876
Capital budget	240,079
	<u>482,955</u>
Annual deficit per approved budget	(75,886)
Add: tangible capital asset purchases	240,079
Annual surplus per statement of operations	<u><u>\$ 164,193</u></u>

16. COMPARATIVE FIGURES

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

17. SUBSEQUENT EVENT

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease operations or have voluntarily ceased or limited operations for an indefinite period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The City has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the City for future periods.



▲ SCHEDULE 1 – TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2019 (in thousands of dollars)

MACHINERY & EQUIPMENT

	Land	Land Improvements	Buildings	Vehicles	Machinery & Equipment
Cost					
Balance, beginning of year	\$ 303,532	\$ 75,840	\$ 350,123	\$ 32,367	\$ 98,503
Add: additions during the year	16,787	858	3,662	3,513	4,171
Add: transfers to tangible capital assets	–	1,458	3,843	–	1,467
Less: assets held for resale	(616)	–	–	–	(1,054)
Less: disposals during the year	(217)	(182)	(6,044)	(1,673)	(76)
Balance, end of year	319,486	77,974	351,584	34,207	103,011
Accumulated Amortization					
Balance, beginning of year	–	38,672	155,275	20,092	42,457
Add: amortization	–	2,605	9,077	2,015	4,636
Less: accumulated amortization on disposals	–	–	(4,267)	(1,670)	(33)
Less: amortization on assets held for resale	–	–	–	–	(53)
Balance, end of year	–	41,277	160,085	20,437	47,007
Net Book Value of Tangible Capital Assets	\$ 319,486	\$ 36,697	\$ 191,499	\$ 13,770	\$ 56,004

INFRASTRUCTURE

	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure
Cost					
Balance, beginning of year	\$ 206,374	\$ 553,838	\$ 34,116	\$ 1,094,013	\$ 74,557
Add: additions during the year	1,901	6,268	177	2,906	3,157
Add: transfers to tangible capital assets	3,910	9,933	863	33,568	4,115
Less: assets held for resale	–	–	–	–	–
Less: disposals during the year	–	(31)	(4)	(26)	(188)
Balance, end of year	212,185	570,008	35,152	1,130,461	81,641
Accumulated Amortization					
Balance, beginning of year	82,161	312,282	9,151	406,910	30,595
Add: amortization	7,233	20,224	531	16,749	2,861
Less: accumulated amortization on disposals	–	–	–	–	–
Less: amortization on assets held for resale	–	–	–	–	–
Balance, end of year	89,394	332,506	9,682	423,659	33,456
Net Book Value of Tangible Capital Assets	\$ 122,791	\$ 237,502	\$ 25,470	\$ 706,802	\$ 48,185

	Computers	Subtotal Machinery & Equipment
\$	16,761	\$ 147,631
	1,609	9,293
	1,146	2,613
	–	(1,054)
	–	(1,749)
	19,516	156,734
	8,834	71,383
	1,766	8,417
	–	(1,703)
	–	(53)
	10,600	78,044
\$	8,916	\$ 78,690

	Subtotal Infrastructure	Work in Progress	Total 2019	Total 2018
\$	1,962,898	\$ 35,373	\$ 2,875,397	\$ 2,805,552
	14,409	86,486	131,495	133,884
	52,389	(60,303)	–	–
	–	–	(1,670)	325
	(249)	–	(8,441)	(64,364)
	2,029,447	61,556	2,996,781	2,875,397
	841,099	–	1,106,429	1,067,992
	47,598	–	67,697	66,989
	–	–	(5,970)	(28,877)
	–	–	(53)	325
	888,697	–	1,168,103	1,106,429
\$	1,140,750	\$ 61,556	\$ 1,828,678	\$ 1,768,968



▲ SCHEDULE 2 – SEGMENTED INFORMATION

For the Year Ended December 31, 2019 (in thousands of dollars)

	General Government	Protective Services	Transportation	Recreation & Cultural	Other Services
Revenue					
Taxation	\$ 152,569	\$ –	\$ 146	\$ –	\$ –
Fees and charges	17,569	10,388	16,227	5,586	27,735
Interest earned	9,463	–	–	–	–
DCC contributions	–	–	4,122	6,427	–
Government transfers	3,339	4,228	9,739	729	3,687
Other capital contributions	1,738	–	–	–	–
Gain on disposal of tangible capital assets	1,171	–	63	–	–
	185,849	14,616	30,297	12,742	31,422
Expenses					
Salaries and benefits	20,707	29,528	9,228	11,829	7,647
Contract and professional services	6,639	2,356	27,591	8,895	9,309
RCMP Contract	–	31,235	–	–	–
Materials and supplies	6,303	1,771	6,808	11,014	2,027
Equipment	543	324	2,994	1,895	2,376
Allocations	(7,162)	(50)	(93)	(172)	1,933
Cost recoveries	(2,133)	(1,875)	(11,519)	(318)	(1,521)
Grants and external transfers	9	117	20	1,904	3,702
Utilities	188	304	1,288	2,080	330
Loss on disposal of tangible capital assets	1	1,084	–	–	–
Write down of tangible capital assets	696	–	51	186	–
Amortization of tangible capital assets	3,969	1,838	28,128	8,333	1,908
Total before Debt	29,760	66,632	64,496	45,646	27,711
Debt interest and fiscal services	2,740	–	–	–	–
Total operating expenses	32,500	66,632	64,496	45,646	27,711
Annual Surplus (Deficit)	\$ 153,349	\$ (52,016)	\$ (34,199)	\$ (32,904)	\$ 3,711



Airport	Wastewater	Water	Natural Gas Legacy	Statutory Reserves	2019
\$ -	\$ 1,358	\$ 1,551	\$ -	\$ -	\$ 155,624
38,826	18,452	15,690	-	43	150,516
660	1,112	832	-	2,249	14,316
-	6,117	175	-	-	16,841
297	241	30,756	-	-	53,016
128	2,282	375	-	-	4,523
7	-	-	-	-	1,241
39,918	29,562	49,379	-	2,292	396,077
4,619	3,424	3,556	-	-	90,538
1,772	712	936	-	-	58,210
-	-	-	-	-	31,235
8,115	1,464	1,566	-	-	39,068
23	748	548	-	-	9,451
1,690	3,107	840	-	-	93
(723)	(272)	(541)	-	-	(18,902)
-	-	1	-	-	5,753
573	1,151	1,076	-	-	6,990
-	-	-	-	-	1,085
196	24	11	-	-	1,164
7,850	10,571	5,100	-	-	67,697
24,115	20,929	13,093	-	-	292,382
584	1,644	297	-	-	5,265
24,699	22,573	13,390	-	-	297,647
\$ 15,219	\$ 6,989	\$ 35,989	\$ -	\$ 2,292	\$ 98,430

▲ SCHEDULE 2 – SEGMENTED INFORMATION

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

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



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

▲ SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2019 (in thousands of dollars)

Long term debt – General Fund Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/18	Amount of Issue	Debt Balance Dec. 31/19	Sinking Fund Balance Dec. 31/19	Current Interest Rate
Public Works						%
2019	South Pandosy Spec Area 1	\$ 18	\$ 234	\$ –	\$ 234	2.10
2019	South Pandosy Spec Area 2	31	410	–	410	2.10
2019	Automated Curb Side Carts	570	4,810	–	4,810	4.13
2022	Chapman Parkade	1,158	4,071	890	3,181	2.25
Local Improvements						
2019	Local Improvements	5	69	–	69	2.10
2035	Lawrence Ave LAS	296	345	282	63	3.00
Recreational and Cultural						
2021	Kokanee Gym Facility	109	500	75	425	1.75
2027	H2O Centre	15,045	27,500	13,624	13,876	2.25
2027	Kokanee Gymnastic	438	800	396	404	2.25
2028	H2O Centre	1,194	2,000	1,094	906	2.90
2035	Police Facilities	17,803	20,000	17,019	2,981	2.75
2035	Library Parkade Ext & Memorial Parkade	13,352	15,000	12,764	2,236	2.75
2036	Police Facilities	15,777	17,000	15,133	1,867	2.60
2037	Police Facilities	2,888	3,000	2,773	227	3.15
2038	Police Facilities	1,360	1,360	1,310	50	3.15
Total Debt – General Fund		\$ 70,044	\$ 97,099	\$ 65,360	\$ 31,739	



SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2019 (in thousands of dollars)

Long term debt – Wastewater Fund Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/18	Amount of Issue	Debt Balance Dec. 31/19	Sinking Fund Balance Dec. 31/19	Current Interest Rate
Specified Area Programs						%
2022	Spec. Area 22A – Gerstmar	\$ 11	\$ 40	\$ 9	\$ 31	1.75
2024	Spec. Area 21A – McKenzie Bench	550	1,350	469	881	2.25
2024	Spec. Area 22B – Vista Rd	32	80	28	52	2.25
2024	Spec. Area 22C – Hein Rd	109	266	92	174	2.25
2024	Spec. Area 22D – Elwyn Rd	61	149	52	97	2.25
2024	Spec. Area 22E – Dease Rd	39	96	33	63	2.25
2024	Spec. Area 22F – Mills Rd	140	342	119	223	2.25
2024	Spec. Area 29 – Champion Cambro	356	874	304	570	2.25
2024	Spec. Area 30 – Acland	148	364	127	237	2.25
2025	Spec. Area 20 – North Rutland	2,993	6,822	2,609	4,213	1.80
2025	Spec. Area 28A – Okaview	280	638	244	394	1.80
2028	Spec Area 26 – Fisher Rd	1,206	2,021	1,106	915	2.90
2028	Spec Area 34 – Country Rhodes	260	435	238	197	2.90
2028	Spec Area 36 – Clifton	159	267	146	121	2.90
Sewer Improvement Program						
2019	Byrns Baron Main	355	3,866	–	3,866	2.00
Sewer Treatment Plant						
2019	Waste Water Treatment Expansion	2,371	20,000	–	20,000	4.90
2019	Waste Water Treatment Expansion	1,186	10,000	–	10,000	4.13
2020	Waste Water Treatment Expansion	2,325	10,000	1,185	8,815	3.73
2031	Brandt’s Creek Tradewaste Treatment	2,301	3,800	2,051	1,749	3.25
Total Debt – Wastewater Fund		\$ 14,882	\$ 61,410	\$ 8,812	\$ 52,598	



▲ SCHEDULE 3 – LONG TERM DEBT

For the Year Ended December 31, 2019 (in thousands of dollars)

Long term debt – Water Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/18	Amount of Issue	Debt Balance Dec. 31/19	Sinking Fund Balance Dec. 31/19	Current Interest Rate
Specified Area Programs						%
2023	Spec Area 16 – Byrns	\$ 14	\$ 39	\$ 11	\$ 28	2.85
2024	Spec Area 18 – Lakeshore	9	24	8	16	2.25
2028	Spec Area 26 – Fisher Rd	177	297	163	134	2.90
2038	Local Area Service – Aspen Rd	48	48	46	2	3.20
Water Improvement Program						
2028	Cedar Creek Pump Station	4,522	7,577	4,145	3,432	2.90
2031	Poplar Point Pump Station Upgrade	1,470	2,000	1,381	619	3.25
Total Debt – Water Fund		\$ 6,240	\$ 9,985	\$ 5,754	\$ 4,231	

Long term debt – Airport Fund

Debenture Debt

2025	Airport Expansion	\$ 5,514	\$ 7,500	\$ 4,805	\$ 2,695	2.75
2026	Airport Expansion	2,893	3,500	2,573	927	2.60
2026	Airport Expansion	2,469	3,000	2,191	809	2.10
2027	Airport Expansion	7,302	8,000	6,583	1,417	2.80
Total Debt – Airport Fund		\$ 18,178	\$ 22,000	\$ 16,152	\$ 5,848	

Long term debt – Other

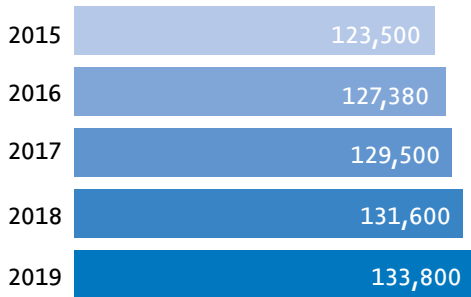
2019	Water – KLO Road for SEKID	\$ 177	\$ 177	\$ –		nil
2020	Wastewater – Commonage	219	439	110		nil
2021	Airport – 3770 Bulman Road	2,700	4,500	1,800		nil
2022	General Land – Diamond Mountain	6,900	6,900	4,675		nil
2023	General Land – Dewdney Park	–	2,952	2,952		nil
Total Debt – Other		\$ 9,996	\$ 14,968	\$ 9,537		

Total City Long Term Debt		\$ 119,340	\$ 205,462	\$ 105,615		
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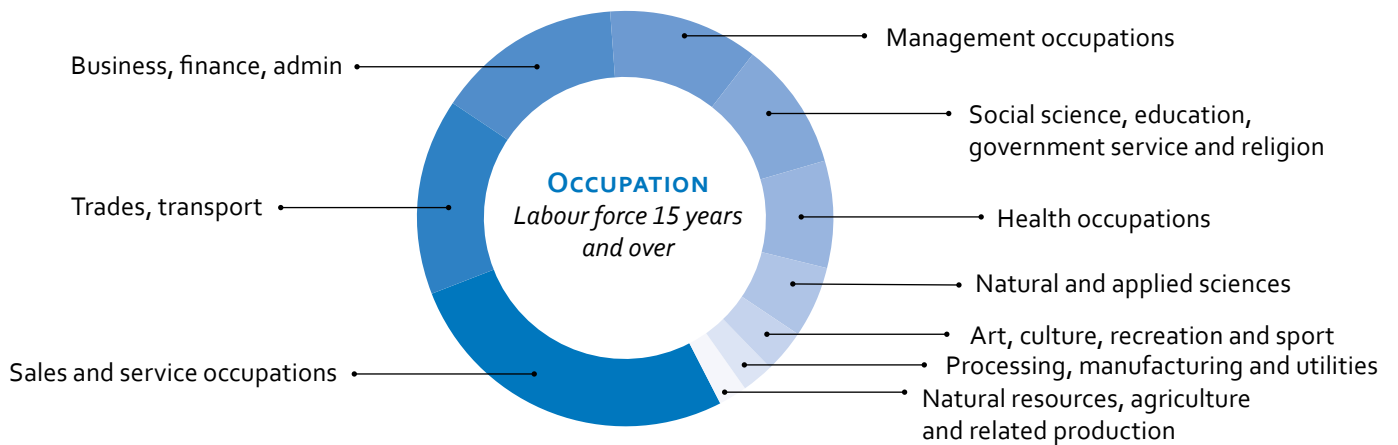
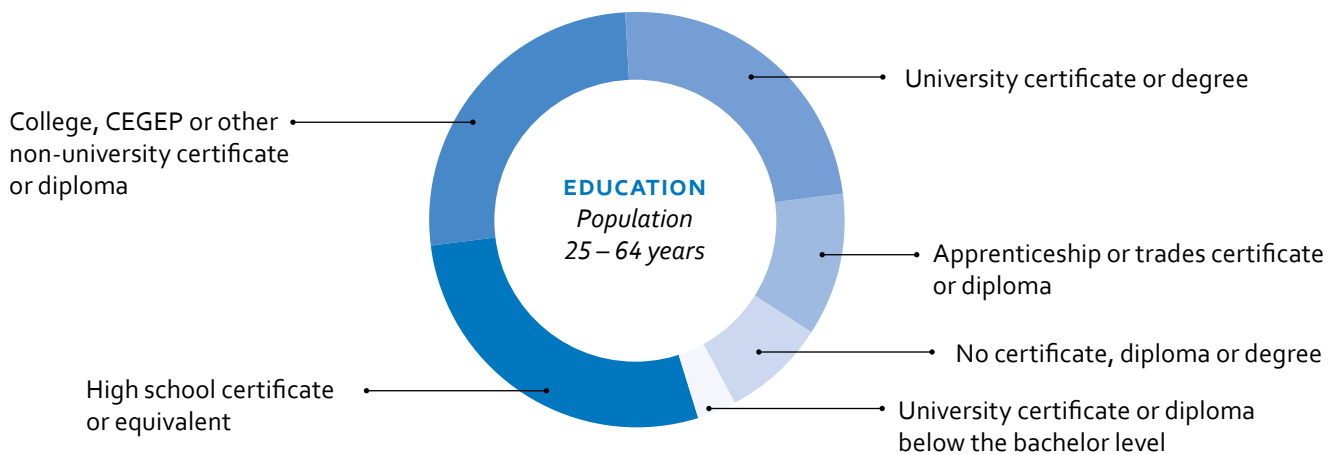
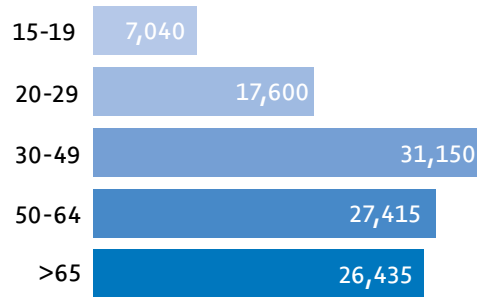
▲ STATISTICAL REVIEW 2015 – 2019

STATISTICAL REVIEW 2015 – 2019

POPULATION



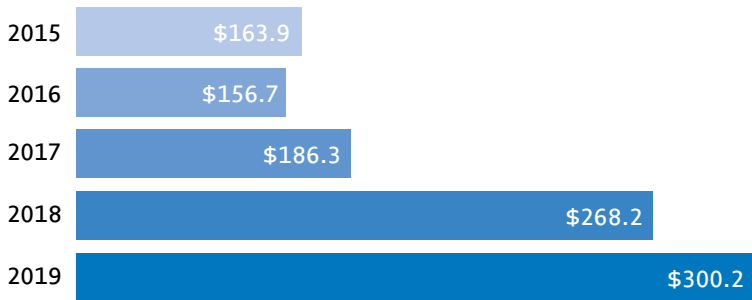
AGE OF POPULATION



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."

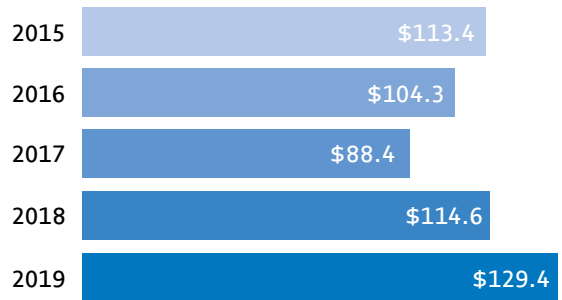
NET FINANCIAL ASSETS (LIABILITIES)

millions



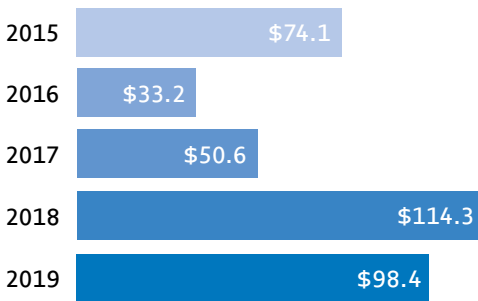
ACQUISITION OF TANGIBLE CAPITAL ASSETS

millions



ANNUAL SURPLUS

millions



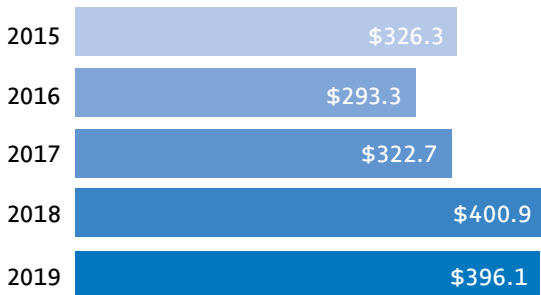
ACCUMULATED SURPLUS

billions



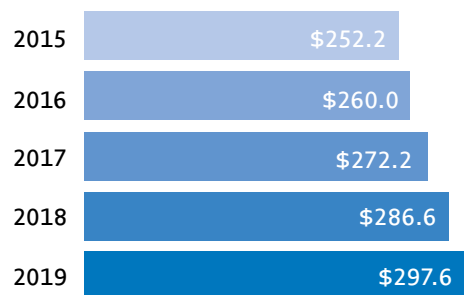
CONSOLIDATED REVENUES

millions



CONSOLIDATED EXPENSES

millions



Source: City of Kelowna Financial Services Department.

CONSOLIDATED REVENUES BY TYPE

millions

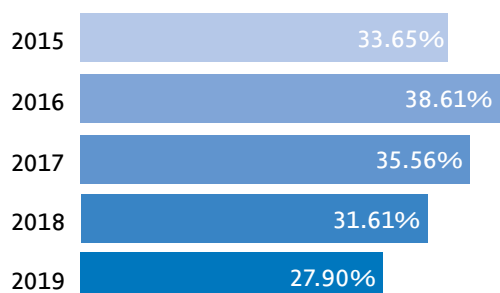
	2015	2016	2017	2018	2019
Taxation	\$ 125.19	\$ 131.79	\$ 139.40	\$ 145.94	\$ 155.62
Fees and charges	113.02	118.43	125.62	152.54	150.52
Interest earned	8.98	9.85	10.33	12.82	14.32
DCC contributions	22.58	10.48	9.53	12.93	16.84
Government transfers	22.42	15.58	21.56	49.02	53.02
Other capital contributions	34.10	6.65	10.69	23.03	4.52
Gain on disposal of tangible capital assets	–	0.50	5.59	4.60	1.24
Total	\$ 326.29	\$ 293.28	\$ 322.72	\$ 400.88	\$ 396.08

CONSOLIDATED EXPENSES BY FUNCTION

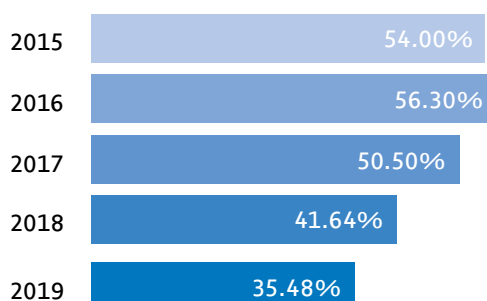
millions

	2015	2016	2017	2018	2019
General government	\$ 22.97	\$ 26.51	\$ 27.20	\$ 30.37	\$ 31.81
Protective services	53.70	55.73	59.72	60.95	65.55
Transportation	60.88	59.69	63.04	63.74	64.44
Recreational & cultural	41.32	41.89	42.73	44.64	45.46
Other services (Incl Natural Gas Legacy)	22.69	23.40	24.22	26.86	27.71
Airport	17.44	19.30	20.70	23.00	24.50
Wastewater	22.83	22.83	22.89	22.61	22.55
Water	10.34	10.70	11.21	13.46	13.38
Loss on disposal of tangible capital assets	–	–	–	0.46	1.09
Write down of tangible capital assets	–	–	0.44	0.49	1.16
Total	\$ 252.17	\$ 260.04	\$ 272.15	\$ 286.58	\$ 297.65

GENERAL DEBENTURE DEBT CHARGES AS A PERCENTAGE OF TOTAL GENERAL EXPENDITURES



CONSOLIDATED DEBT AS A PERCENTAGE OF TOTAL GENERAL EXPENDITURES



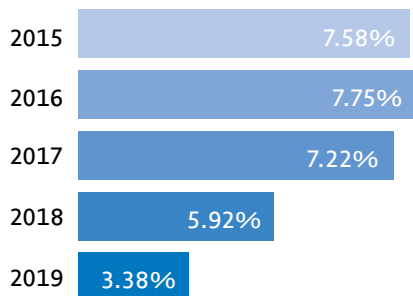
Source: City of Kelowna Financial Services Department.

CONSOLIDATED EXPENSES BY OBJECT

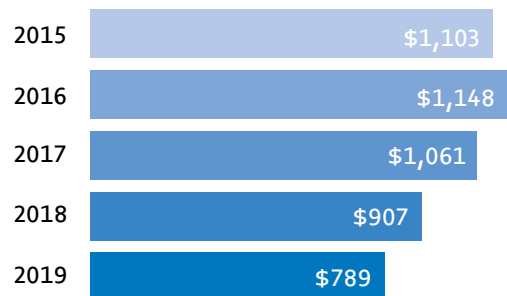
millions

	2015	2016	2017	2018	2019
Salaries and benefits	\$ 75.50	\$ 77.32	\$ 80.51	\$ 83.86	\$ 90.54
Contract and professional services	45.89	46.41	48.59	56.59	58.21
RCMP Contract	24.79	26.47	28.55	28.49	31.23
Materials and supplies	29.88	30.79	33.30	36.16	39.07
Equipment	7.39	8.06	8.95	9.71	9.45
Allocations	0.05	0.06	0.08	0.08	0.09
Cost recoveries	(13.66)	(14.13)	(15.90)	(17.79)	(18.90)
Grants and external transfers	3.70	3.88	4.67	5.27	5.75
Utilities	7.24	7.62	8.01	7.65	6.99
Loss on disposal of tangible capital assets	0.03	–	–	0.46	1.09
Write down of tangible capital assets	–	–	0.44	0.49	1.16
Amortization of tangible capital assets	61.89	63.34	64.89	66.99	67.70
Debt interest and fiscal services	9.49	10.21	10.06	8.64	5.27
Total	\$ 252.17	\$ 260.04	\$ 272.15	\$ 286.58	\$ 297.65

CONSOLIDATED DEBT CHARGES AS A PERCENTAGE OF TAXATION

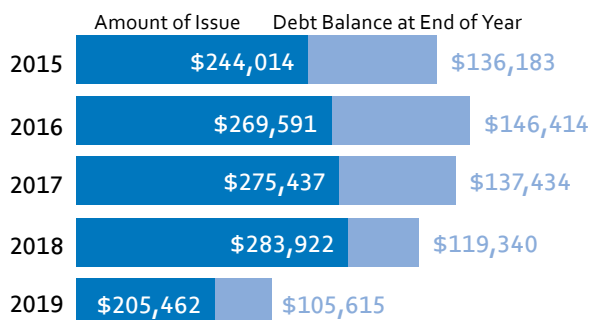


CONSOLIDATED LONG TERM DEBT PER CAPITA



LONG TERM DEBT

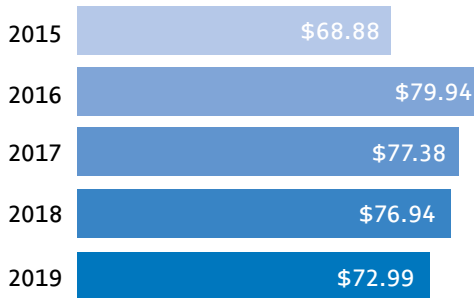
thousands



Source: City of Kelowna Financial Services Department.

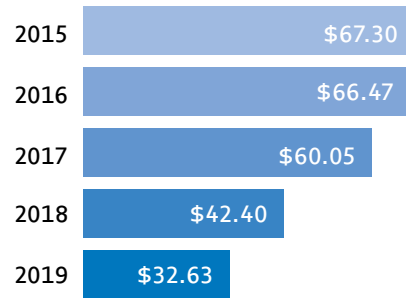
TOTAL DEBT SUPPORTED BY TAXES

millions



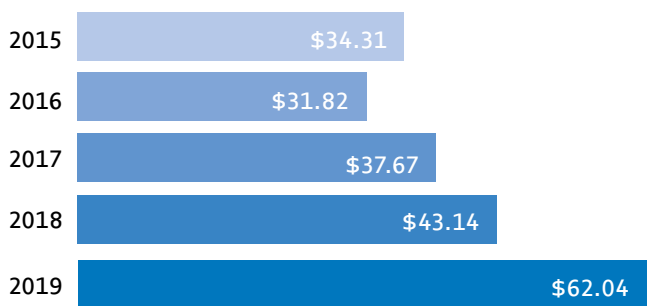
TOTAL DEBT SUPPORTED BY UTILITIES AND OTHER

millions



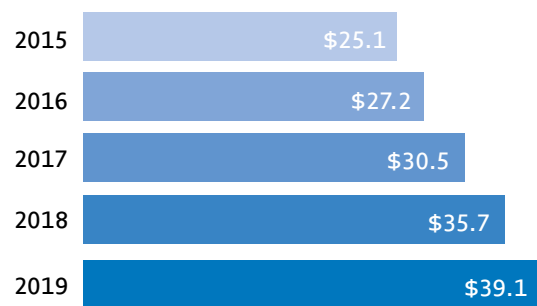
TOTAL LEGAL DEBT LIMIT

millions



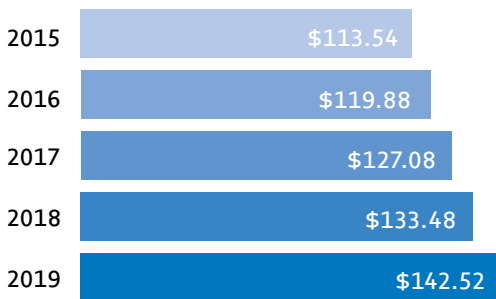
ASSESSMENT FOR GENERAL TAXATION

billions



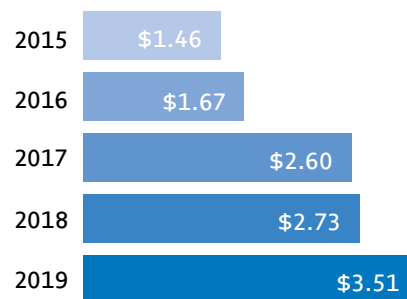
MUNICIPAL TAX DEMAND

millions



NEW CONSTRUCTION REVENUE

millions

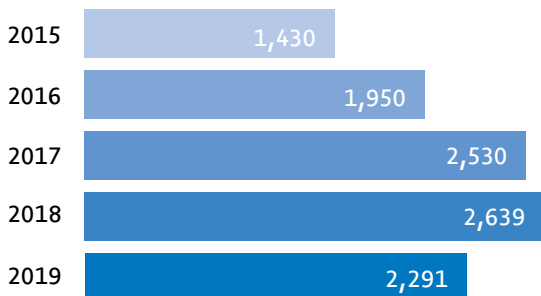


TOTAL PROPERTY TAX LEVIES

thousands

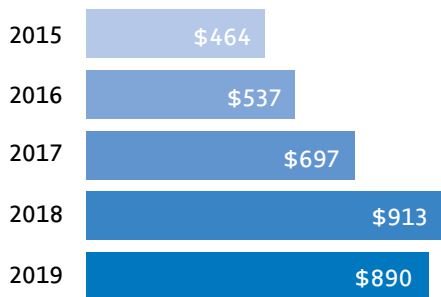
	2015	2016	2017	2018	2019
City of Kelowna	\$ 119,132	\$ 125,622	\$ 133,024	\$ 139,647	\$ 155,624
School Tax	67,131	67,638	66,086	68,721	72,384
Regional Hospital	11,331	11,451	11,527	11,691	12,147
Regional District	11,153	11,383	11,329	11,922	12,465
BC Assessment	2,021	2,010	1,857	1,981	2,038
Total Property Tax Levies	\$ 210,768	\$ 218,104	\$ 223,823	\$ 233,961	\$ 254,658
Total Property Taxes Collected	\$ 207,413	\$ 214,995	\$ 220,930	\$ 231,270	\$ 251,622

HOUSING STARTS



VALUE OF NEW DEVELOPMENT

millions

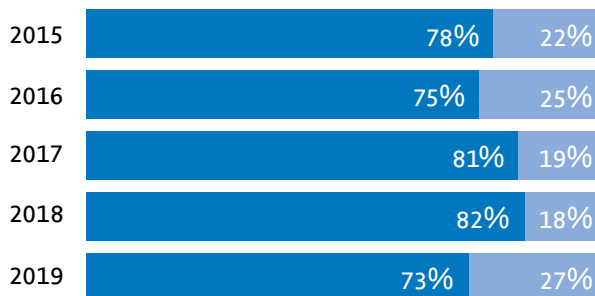


NUMBER OF BUSINESS LICENSES



Source: City of Kelowna Development, Corporate Services Department

REGIONAL HOUSING STARTS

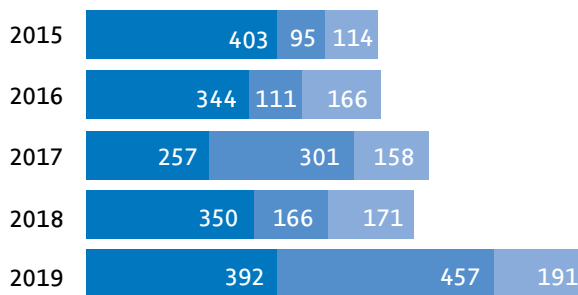


● City of Kelowna ● Region

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

DEVELOPMENT FLOOR SPACE

Square footage (thousands)



● Commercial ● Industrial ● Institutional

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



City of
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kelowna.ca/annualreport