



FINANCIAL PLAN

Kelowna, BC Canada
Final Budget - Volume 3

2024



Report to Council



Date: May 6, 2024
To: Council
From: City Manager
Subject: 2024 Financial Plan – Final Budget Volume
Department: Financial Planning

Recommendation:

THAT COUNCIL adopts the 2024-2028 Financial Plan;

AND THAT Council approves the formulation of 2024 Property Tax Rates that will raise the required funds in 2024, from General Taxation, in the amount of \$191,220,490 resulting in an average net property owner impact of 4.72 per cent;

AND THAT Bylaw No. 12639 being the 2024-2028 Five-Year Financial Plan, 2024 be advanced for reading consideration;

AND THAT Bylaw No. 12640 being the Tax Structure Bylaw, 2024 be advanced for reading consideration;

AND THAT Bylaw No. 12641 being the Annual Tax Rates Bylaw, 2024 be advanced for reading consideration;

AND THAT Bylaw No. 12642 being the DCC Reserve Fund Expenditure Bylaw, 2024 be advanced for reading consideration;

AND THAT Bylaw No. 12643 being the Sale of City Owned Land Reserve Fund Expenditure Bylaw, 2024 be advanced for reading consideration.

AND THAT Bylaw No. 12644 being the Density Bonusing for Public Amenities and Streetscape Reserve Fund Expenditure Bylaw, 2024 be advanced for reading consideration;

AND FURTHER THAT Bylaw No. 12645 being the Septic Removal Specified Area Reserve Fund Expenditure Bylaw, 2024 be advanced for reading consideration.

Purpose:

To present the 2024 Final Budget Volume submissions, the 2024-2028 Financial Plan and related bylaws to Council for their consideration and approval.

Background:

Council approved the 2024 Financial Plan – Preliminary volume on December 7, 2023 and the addition of the 2024 Financial Plan – Carryover Budget volume on March 18, 2024. The 2024 Financial Plan - Final Budget volume includes emergent, legislated or Council directed requests. The three volumes provide the 2024 portion of the 2024-2028 Five Year Financial Plan. Depending on the nature of the item being considered within Final Budget, the adjustments could cause the final tax demand to increase or decrease.

The City of Kelowna's strong financial management and clear budgeting practices continue to allow the delivery of essential services residents expect while maintaining, expanding, and building infrastructure that makes Kelowna a great place to live. The 2024 Final Budget as proposed, reflects a net municipal property tax increase of 4.72 per cent, a 0.3 per cent decrease to the Preliminary Budget tax requirement approved in December 2023, of 4.75 per cent.

The largest Final Budget request affecting taxation can be attributed to the Council Initiatives request which is offset by an increase in new construction revenue. Information about the requested changes is included in the attached 2024 Final Budget Volume.

A tax rate of 4.72 per cent means the owner of a residential property with an average assessed value of \$982,950 will pay \$2,484 which is an increase of \$112 from the prior year for the municipal portion of their property taxes.

Considerations applicable to this report:***Legal/Statutory Authority:***

In Section 165 of the Community Charter regarding Financial Plans, adoption of a 5 Year Financial Plan bylaw is required prior to the annual property tax bylaw. Under the Annual Property Tax Bylaw Section 197 of the Community Charter, Council must establish tax rates by bylaw after adoption of the financial plan but before May 15th.

Considerations not applicable to this report:***Legal/Statutory Procedural Requirements:******Existing Policy:******Financial/Budgetary Considerations:******External Agency/Public Comments:******Communications Comments:***

Submitted by:

M. Antunes, CPA Financial Planning Manager

Approved for inclusion: J. Sass, CA, CPA Director of Financial Services

Attachment:

- 1: 2024 Financial Plan – Final Budget Volume
- 2: 2024-2028 Five-Year Financial Plan
- 3: 2024 Financial Plan Presentation

FINANCIAL SUMMARIES

The 2024 Final Budget Volume includes requests that are emergent, required by legislation or have been directed by City Council. This volume is consolidated with the first two volumes, 2024 Preliminary Volume and the 2024 Carryover Volume, to create the 2024 Financial Plan and the 2024-2028 Five-Year Financial Plan.

The 2024 Financial Plan results in a Final Tax Demand of \$191.2M. This represents an increase of \$1.2M relative to the 2024 Preliminary Financial Plan, and an increase of \$1.3M of taxation revenue from new construction.

The impact to the average property owner is 4.72 per cent.

FINAL BUDGET SUMMARIES

Analysis of tax demand (\$ thousands)

The 2023 final tax demand was \$176.6M and had a 3.78 per cent net property owner impact. The final 2024 taxation demand has increased by 8.26 per cent over 2023 for a total gross tax demand increase of \$14.6M.

	2023	2024	Change	% change
Taxation demand	176,624	191,220	14,596	8.26%
New construction tax revenue	(3,200)	(6,260)	(3,060)	
Net property owner impact	3.78%	4.72%		0.94%
Municipal impact	2.78%	3.72%		
Public Safety Levy impact	1.00%	1.00%		

Note: Totals may not add due to rounding

The tax demand established at Preliminary Budget was \$190.0M. The estimated new construction revenue was \$5.0M, based on BC Assessment preliminary roll information, resulting in a 4.75 per cent net property owner impact.

Final Budget requests for net general fund operating and capital expenditures of \$1.2M have increased the total tax demand to \$191.2M. Final new construction revenues, based on the revised assessment roll, increased by \$1.3M to \$6.3M, reducing the net property owner impact to 4.72 per cent.

	Preliminary	Final	Change	% change
2024 Taxation demand	189,996	191,220	1,224	0.64%
New construction tax revenue	(4,980)	(6,260)	(1,280)	25.70%
Net property owner impact	4.75%	4.72%		(0.03%)
Municipal impact	3.75%	3.72%		(0.03%)
Public Safety Levy impact	1.00%	1.00%		0.00%

Note: Totals may not add due to rounding



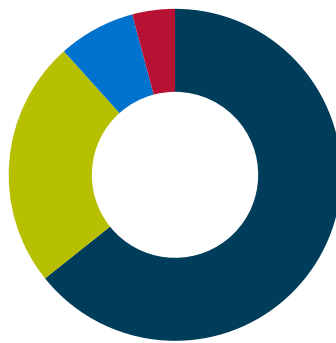
Analysis of total revenues

The total revenue budget is \$854.9M with \$439.4M from operating sources and \$415.5M from capital sources.

The tables below summarize the total operating and capital revenue by fund, including the prior year’s carryover amounts, and the same revenue information by revenue source.

Revenues by Fund (\$ thousands)

	Operating	Capital
General	340,514	208,997
Airport	62,759	143,112
Wastewater	17,315	46,799
Water	18,858	16,548
Total	439,446	415,457



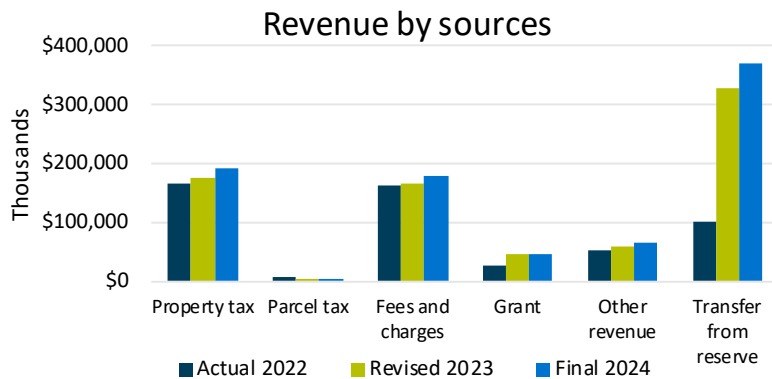
■ General 65%
 ■ Airport 24%
 ■ Wastewater 7%
 ■ Water 4%
 Total \$854.9M

Total 854,903

Note: Totals may not add due to rounding

Revenues by Sources (\$ thousands)

Property tax	191,220
Parcel tax	4,441
Fees and charges	178,948
Grant	44,672
Other revenue	66,209
Transfer from reserve	369,413



Total 854,903

Note: Totals may not add due to rounding



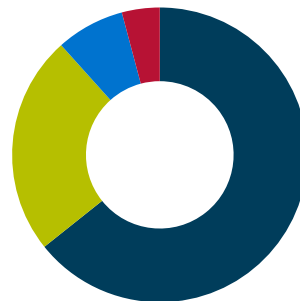
Analysis of total expenditures

The total expenditure budget requirement is \$854.9M with \$439.4M for operating needs and \$415.5M for the 2024 capital program.

The tables below summarize the total operating and capital expenditures by fund, including the prior year’s carryover amounts, and the same total operating and capital expenditure information by expenditure type.

Expenditures by Fund (\$ thousands)

	Operating	Capital
General	340,514	208,997
Airport	62,759	143,112
Wastewater	17,315	46,799
Water	18,858	16,548
Total	439,446	415,457



- General 65%
- Airport 24%
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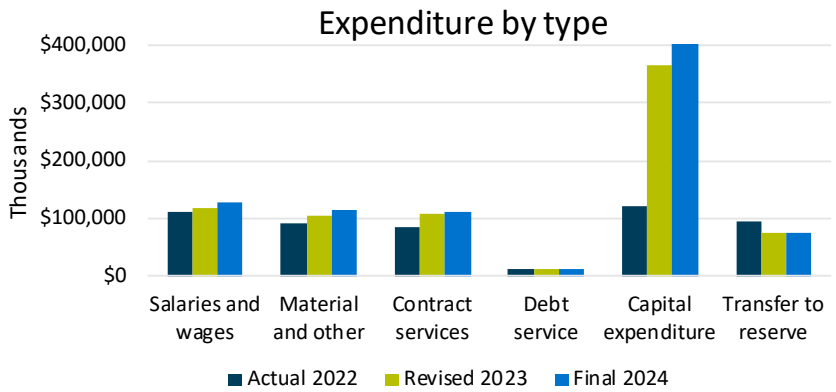
Total \$854.9M

Total 854,903

Note: Totals may not add due to rounding

Expenditures by Types (\$ thousands)

Salaries and wages	128,980
Material and other	115,931
Contract services	109,946
Debt service	11,180
Capital expenditure	415,457
Transfer to reserve	73,408



Total 854,903

Note: Totals may not add due to rounding



Use of tax dollar by service area

The table below highlights the cost by service area and the resulting total municipal taxes for the average residential property in Kelowna for 2024. Note the municipal portion of taxes does not include amounts collected on behalf of other taxing authorities or applicable business improvement areas such as: Regional District of Central Okanagan, BC Assessment, Okanagan Regional Library, Minister of Finance – School Tax, Downtown Kelowna Business Improvement Area or Uptown Rutland Business Improvement Area. The average assessed value of a residential property is \$982,950 in 2024, as obtained from BC Assessment. The service area with the highest cost in operating is Police Services & RCMP, at 27.6 per cent, followed by the Enabling Services at 19.5 per cent and Fire Safety at 13.8 per cent. On the capital side, Building Capital, Parks Capital and Transportation Capital are in the top three costs all at 1.9 per cent.

	\$ Cost	2024%	2023%
Operating			
Arts & Culture	36.59	1.5%	1.5%
Community Development	46.29	1.9%	1.7%
Community Safety & Bylaw	80.90	3.3%	2.8%
Development Planning	22.65	0.9%	0.9%
Development Services	(79.12)	(3.2%)	(2.2%)
Enabling Services	485.14	19.5%	19.6%
Fire Safety	341.79	13.8%	12.9%
Governance & Leadership	60.36	2.4%	2.1%
Parking	(14.94)	(0.6%)	(0.1%)
Parks	154.80	6.2%	6.2%
Police Services & RCMP	684.51	27.6%	27.3%
Sport & Recreation	135.72	5.5%	5.4%
Stormwater & Flood Protection	27.30	1.1%	1.1%
Transit	118.72	4.8%	4.4%
Transportation	186.00	7.5%	7.4%
Operating sub-total	2,296.31	92.4%	91%
Capital			
Building	46.31	1.9%	1.6%
Information Services	14.07	0.6%	0.4%
Parks	46.01	1.9%	3.4%
Real Estate & Parking	16.24	0.7%	0.6%
Storm Drainage	17.14	0.7%	0.6%
Transportation	48.18	1.9%	1.9%
Capital sub-total	187.94	7.6%	9%
Total Municipal portion of taxes	\$ 2,484.25	100%	100%

Based on the 2024 average residential property assessed property value of \$982,950

Note: Totals may not add due to rounding

Ongoing budget impacts

Below is a projection of the next five years net property owner impacts using the best information available at the time of preparation for the Final Budget volume. As with any planning exercise, the level of certainty and detail is most appropriately found in the current year. For the years after 2024, budgets have been adjusted for current one-time projects, changes in operating budgets from previously approved requests, new capital projects included in the Council endorsed 10-Year Capital Plan, 2023-2032 (10YCP), growth and/or inflationary rates, and other key assumptions. Although this forward looking information is based on what is believed to be reasonable assumptions, there can be no assurance that this information will prove to be accurate as actual results and future events could differ materially from the anticipated information contained in this forecast.

Specific assumptions in the preparation of the years 2025-2028 included in the forecasted increases below:

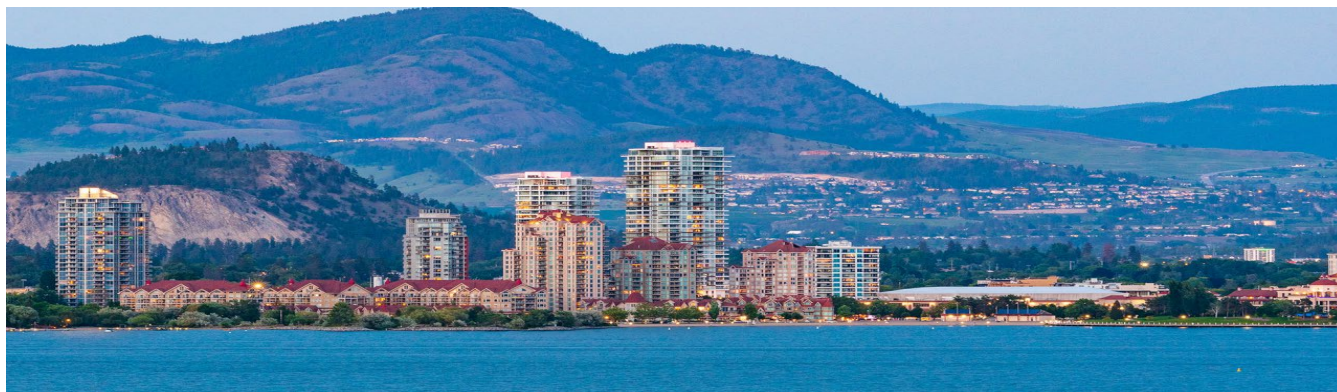
- Growth rates of 1.59 per cent for 2025 and 1.47 per cent per year for 2026-2028.
- Inflation rates of 2 per cent for most operating expenses and certain revenues, rate increase to 3.6 per cent in 2025 for materials expense.
- MFA amortization schedules and estimated rates are used as a basis for projected principal and interest where applicable.
- Approval to borrow for all priority one capital projects funded through debt as presented in the Council endorsed 10-Year Capital Plan, 2023-2032.
- There is no change in current service levels except as provided for in the capital program.
- Reserve funding is used for one-time operating and capital programs to reduce the requirement for increased taxation.

Additional details on all assumptions are provided in the Five-Year Financial Plan (2024-2028).

\$ thousands	2024	2025	2026	2027	2028
General revenues	(17,820)	(18,751)	(19,670)	(21,613)	(22,088)
Net operating budget	194,574	206,112	218,315	233,252	246,184
Pay-as-you-go capital	14,467	15,983	17,479	19,050	20,707
Taxation demand	191,220	203,343	216,214	230,689	244,803
New construction tax revenue	(6,260)	(3,790)	(3,739)	(3,927)	(4,141)
Municipal Impact	3.72%	3.36%	3.45%	3.92%	3.32%
Public Safety Levy Impact	1.00%	1.00%	1.00%	1.00%	1.00%
Net property owner impact	4.72%	4.36%	4.45%	4.92%	4.32%

Note: Totals may not add due to rounding

For the City’s Five-Year forecast for all funds revenues and expenditures for 2024-2028 and detailed service area information see the Five-Year Financial Plan section of the 2024 Financial Plan.





▶▶ OPERATING
BUDGET

2024 Operating Requests**Final Budget****Summary - All Funds**

Page	Type	Description	Cat.	Amount	Reserve	Borrow	Grant	Revenue	Utility	Taxation
Community Safety & Bylaw										
500	Enhance	Community Safety Plan: Kelowna Alternative Response Team	OG	250,000	(250,000)	0	0	0	0	0
Service Area Total				250,000	(250,000)	0	0	0	0	0
Governance & Leadership										
500	Enhance	Council Initiatives	OG	700,000	0	0	0	0	0	(700,000)
Service Area Total				700,000	0	0	0	0	0	(700,000)
Enabling Services										
501	Maintain	Transmission of Taxes - BIA's and Other Governments	OT	152,948,200	0	0	0	(152,948,200)	0	0
501	Maintain	FortisBC Operating Fee	OG	0	0	0	0	394,100	0	(394,100)
502	Enhance	Insurance Premiums - Inflationary Increase	OG	130,000	0	0	0	0	0	(130,000)
Service Area Total				153,078,200	0	0	0	(152,554,100)	0	(524,100)
Total Operating				154,028,200	(250,000)	0	0	(152,554,100)	0	(1,224,100)

2024 Operating Request Details

Service Area: Community Safety & Bylaw Priority: 1 Enhance
ON-GOING

Title: Community Safety Plan: Kelowna Alternative Response Team FINAL

Justification:

As part of the 2024 Preliminary Budget deliberations, Council asked that the Community Safety Plan Action 1.2: Kelowna Alternative Response Team request be brought back as part of Final Budget. This \$1.1 million program will enable an alternative, community-based mobile unit response to (police) calls involving people in crisis. Used in other municipalities, this trauma and culturally informed model has shown to be cost-effective and has resulted in reduced police calls and involvement.

Budget of \$250k is requested in 2024 to allow City staff to engage in partnership discussions, increasing to \$500k in 2025 ongoing as the City's commitment to the program. Staff will return to Council before the 2025 Preliminary Budget if the partnerships opportunities are unsuccessful.

Strategic Direction: Crime & Safety - Residents feel safe

	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	250,000	(250,000)	0	0	0	0	0	0
2025	500,000	0	0	0	0	0	0	(500,000)
2026	500,000	0	0	0	0	0	0	(500,000)

Service Area: Governance & Leadership Priority: 1 Enhance
ON-GOING

Title: Council Initiatives FINAL

Justification:

Kelowna City Council is committed to working closely with residents, community partners and other levels of government to bring positive change. Council initiatives funding approved in 2023 allowed for the expansion of the Social Development mandate to provide enhanced strategic leadership in addressing homelessness, funding to purchase and operate an additional Sweeper/Scrubbing Unit increasing garbage service levels throughout the City, and grant funding to support the Uptown Rutland Business Association's On-Call pilot project.

Additional budget is requested to enable City Council to continue to promote and finance various initiatives that will contribute to positive change in our community.

Strategic Direction: Crime & Safety - Public safety resources keep pace with growth

	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	700,000	0	0	0	0	0	0	(700,000)
2025	700,000	0	0	0	0	0	0	(700,000)
2026	700,000	0	0	0	0	0	0	(700,000)

2024 Operating Request Details

Service Area:	Enabling Services	Priority: 1	Maintain ONE-TIME
Title:	Transmission of Taxes - BIA's and Other Governments		FINAL

Justification:

To establish the receipt and disbursement of taxes to Business Improvement Areas (BIA) and other governments: Regional District of Central Okanagan (RDCO) (\$16,371,300); RDCO SIR Land Levy (\$810,900); RDCO SIR Parcel Tax (\$267,600); BC Assessment Authority (\$3,009,500); School Tax (\$103,195,500); Additional School Tax (\$4,324,800); Kelowna Downtown BIA (\$1,263,700); Uptown Rutland BIA (\$233,700); Regional Hospital (\$15,611,800); and Okanagan Regional Library (\$7,859,400). The total amount to be collected for all other taxing authorities is \$152,948,200.

Strategic Direction:	Other - Supports Base Business							
	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	152,948,200	0	0	0	0	(152,948,200)	0	0

Service Area:	Enabling Services	Priority: 1	Maintain ON-GOING
Title:	FortisBC Operating Fee		FINAL

Justification:

This request is to adjust the franchise fee revenue due from FortisBC down to \$2,024,361 from the 2024 Preliminary budget amount of \$2,418,450. The fee is based on 3 per cent of the gross revenue for the provision and distribution of all gas consumed within the City of Kelowna during the 2023 calendar year.

Strategic Direction:	Active Financial Management - Increase non-tax revenues to minimize the reliance on taxes							
	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	0	0	0	0	0	394,100	0	(394,100)
2025	0	0	0	0	0	394,100	0	(394,100)
2026	0	0	0	0	0	394,100	0	(394,100)

2024 Operating Request Details

Service Area:	Enabling Services	Priority: 1	Enhance ON-GOING
Title:	Insurance Premiums - Inflationary Increase		FINAL

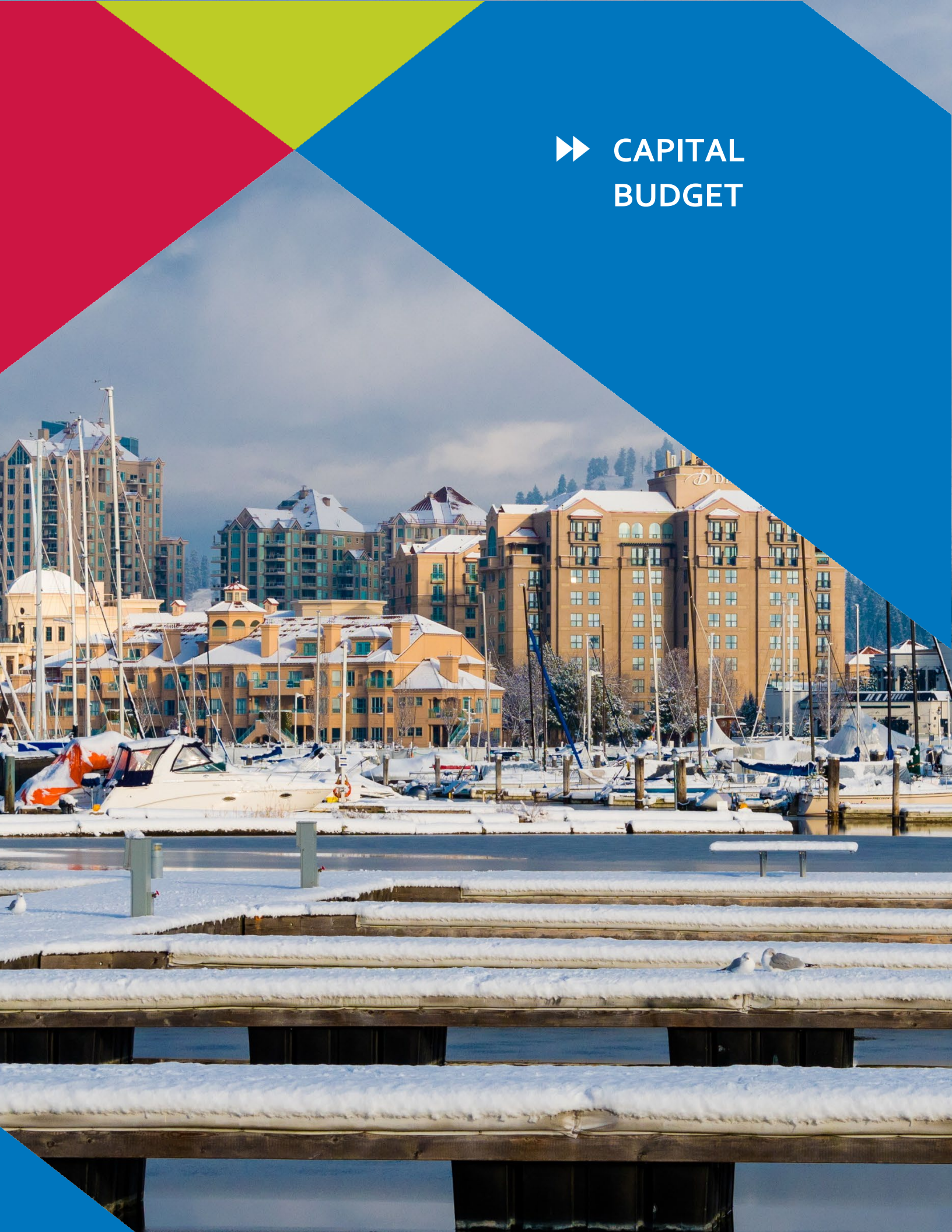
Justification:

Insurance Premiums continue to rise; the Insurance Bureau of Canada reported an average annual increase in insurance premiums rates across all sectors was 9.6 per cent in 2020 and continues to rise annually. Inflation of construction costs increase the value of insured assets, which in turn puts upward pressure on premium costs. Budget is requested for an annual budget increase of 7.6 per cent for 2024 and 2025 to align with the current trend of rising costs while maintaining sufficient and dependable coverage.

Strategic Direction: Other - Supports Base Business

	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	130,000	0	0	0	0	0	0	(130,000)
2025	260,000	0	0	0	0	0	0	(260,000)
2026	260,000	0	0	0	0	0	0	(260,000)

▶▶ CAPITAL
BUDGET



2024 Capital Requests

Final Budget

Capital Budget Summary

Page	Type	Description	Amount	Reserve	Borrow	Grant	Other	Utility	Taxation	
Solid Waste Capital										
505	Renew	Landfill - Flare Replacement	750,000	(750,000)	0	0	0	0	0	O&M
		SW3 - Gas Management	750,000	(750,000)	0	0	0	0	0	
		Cost Center Total	750,000	(750,000)	0	0	0	0	0	
Airport Capital										
506	Growth	Airport - Aircraft Rescue and Fire Fighting Response Vehicle	2,950,000	(2,950,000)	0	0	0	0	0	
		A4 - AIF	2,950,000	(2,950,000)	0	0	0	0	0	
		Cost Center Total	2,950,000	(2,950,000)	0	0	0	0	0	
Wastewater Capital										
506	Renew	WWTF Equipment Repair	200,000	0	0	0	0	(200,000)	0	
		WW3 - DCC Wastewater Treatment Facilities	200,000	0	0	0	0	(200,000)	0	
		Cost Center Total	200,000	0	0	0	0	(200,000)	0	
		Total	3,900,000	(3,700,000)	0	0	0	(200,000)	0	

2024 Capital Request Details

Department:	Capital Projects	Priority: 1	Renew
Cost Center:	Solid Waste Capital	10 Yr Cap Plan Ref: 2026 SW3 - \$\$3.5M	
Title:	Landfill - Flare Replacement		FINAL

Justification:

Budget is requested for replacement of the landfill gas flare at the Glenmore Landfill. Initially scheduled for 2026, staff is requesting to expedite this project for procurement in 2024 and construction in 2025 due to challenges in finding replacement parts and servicing for the existing flare. With current long lead times for flare manufacturing components, this budget request is to allow for the purchasing and deposit for the flare component to ensure construction can be completed in 2025. This is a multi-year project, total budget estimated at \$3.5M and the final design is being completed in 2024. Contractual commitments will be based on this budget plus \$2.75M budget in 2025.

Expected Completion: Dec 2025

Strategic Direction: Climate & Environment - Reduce corporate and community GHG emissions

Operating Impact: There are operation and maintenance budget impacts and are included below

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility	Taxation
750,000	(750,000)	0	0	0	0	0

Operating Impact: Landfill - Flare Replacement - Service and Support

	Cost	Reserve	Borrow	Grant	Other	Revenue	Utility	Taxation
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	100,000	(100,000)	0	0	0	0	0	0

2024 Capital Request Details

Department: Capital Projects Priority: 1 Growth
 Cost Center: Airport Capital 10 Yr Cap Plan Ref: Not included A4
 Title: Airport - Aircraft Rescue and Fire Fighting Response Vehicle FINAL

Justification:

Federal regulations dictate emergency response categorization based on the size and number of aircraft that land at an airport in the preceding 12 months. With the Airport fully recovered from the impact of the COVID-19 pandemic in 2023, surpassing its 2019 pre-pandemic passenger numbers, and the corresponding growth in the number of large aircraft movements at the airport, the Airport is required to increase Aircraft Fire Fighting from the current Category 6 response to a Category 7 response. As a result, there is an emergent need for one additional Aircraft Rescue and Fire Fighting response vehicle to ensure the Airport is able to provide continuous emergency response at the required Category 7 level as passenger numbers and air service to and from the region continue to grow.

Expected Completion: Dec 2025

Strategic Direction: Other - Supports Base Business

Operating Impact: Minimal operation and maintenance impact accommodated within an existing operating budget

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility
2,950,000	(2,950,000)	0	0	0	0

Department: Capital Projects Priority: 1 Renew
 Cost Center: Wastewater Capital 10 Yr Cap Plan Ref: Not included WW3
 Title: WWTF Equipment Repair FINAL

Justification:

Budget is requested for the repair of equipment at the Wastewater Treatment Facility (WWTF). The WWTF operates two centrifuges that remove water from wastewater solids, and the larger primary unit is undergoing repairs with parts delayed due to availability and shipping arriving slowly from Italy. The smaller backup centrifuge is running extended hours to meet process needs, during a recent inspection, it was found that this centrifuge has mechanical issues that will eventually lead to equipment failure and is in need of urgent repair.

Expected Completion: Sep 2024

Strategic Direction: Other - Supports Base Business

Operating Impact: There are no operation and maintenance budget impacts associated with this request

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility
200,000	0	0	0	0	(200,000)