

Report to Council



Date: May 1, 2017
Rim No. 0220-20
To: Mayor and Councillors
From: Ron Mattiussi, City Manager
Subject: 2017 Financial Plan - Final Budget

Recommendation:

THAT COUNCIL adopts the 2017-2021 Financial Plan;

AND THAT Council approves the formulation of 2017 Property Tax Rates that will raise the required funds in 2017, from General Taxation, in the amount of \$127,084,020, resulting in an average net property owner impact of 3.84 per cent;

AND THAT Bylaw No. 11394 being the 2017-2021 Five Year Financial Plan, 2017 be advanced for reading consideration;

AND THAT Bylaw No. 11395 being the Tax Structure Bylaw, 2017 be advanced for reading consideration;

AND THAT Bylaw No. 11396 being the Annual Tax Rates Bylaw, 2017 be advanced for reading consideration;

AND THAT Bylaw No. 11397 being the DCC Reserve Fund Expenditure Bylaw, 2017 be advanced for reading consideration;

AND FUTHER THAT Bylaw N. 11398 being the Sale of City Owned Land Reserve Fund Expenditure Bylaw, 2017 be advanced for reading consideration.

Purpose:

To present the 2017 Final Budget submissions, the 2017-2021 Financial Plan and related bylaws to Council for their consideration and approval.

Background:

Council approved the Provisional 2017 Financial Plan on December 15, 2016 and it was amended on March 13, 2017 to include the 2016 carry-over projects. The Final Budget document includes emergency or Council initiated projects that are consolidated with the first two volumes into the 2017-2021 Financial Plan. Depending on the nature of the item being considered, these project adjustments can cause the final budget to go either up or down. The 2017 final adjustments result in a tax decrease of 0.02 per cent from the Provisional Budget tax requirement of 3.86 per cent to the Final Budget as presented, that reflects a net municipal property tax increase of approximately 3.84 per cent.

The timing of the Financial Plan preparation is to coincide with preparation of the Tax Rates bylaw in accordance with the Community Charter.

Financial Services has projected the 2017 municipal taxation requirements for the City of Kelowna as a result of receiving the following information:

- Revised roll totals, which represent final assessment information from BC Assessment, subsequent to the Court of Revision and incorporating final new construction information.
- Council approval of the 2017 Tax Distribution Policy.
- Additional requests from operating departments resulting from analysis of final 2016 operating results and additional projects identified since Provisional Budget.

Revenue Resulting from New Construction

Final new construction taxation revenues, based on the revised assessment roll, total \$2.6 million, an increase of \$200,000 from the value estimated at Provisional Budget. This estimate was based on BC Assessment preliminary roll information, however, the final new construction level increased from the earlier estimate once final roll information was prepared by BC Assessment. The total assessed value of new construction for 2017 is \$616.0 million.

General Revenues

There is a net general revenue decrease of \$129,900 which is a result of a reduction of expected revenue from the Fortis BC Gas Franchise Fee.

Operating Program

As part of the Active by Nature initiative and the Canada 150 Program (C150), a 20km Paddle Trail is being constructed through a partnership with community paddling organizations, from Bertram Creek Park to McKinley Landing. Application for Provincial funding to expand the program was unsuccessful resulting in additional funding being required to allow the entire 20km route of buoys to be installed in 2017.

The Final Budget general fund operating requirements are summarized on the blue summary sheets titled "2017 Operating Requests" found on page 9 of the Final Budget document and result in an increase of general purpose net Operating Expenditures totaling \$50,000, excluding the general revenue decrease.

Utilities

There is one utility operating request, and one utility capital request presented for Final Budget consideration shown on pages 12 and 14 of the final budget document.

The operating request is to establish the annual operating budget for the new developer contributed McCarthy Lift Station. Ownership of this station was transferred to the City in early 2017.

The capital request is to replace and relocate key electrical equipment from the underground chamber to above ground pads at the Skyline Pump Station in conjunction with the Fortis BC project to replace and relocate the transformer outside of the confined space.

Net Property Owner Impact

2017 assessments came in at an increase of 10.96 per cent over 2016 assessments considering both market and new construction value changes. There was a 10.08 per cent increase in overall market values and a 2.27 per cent increase in new construction assessments.

A tax rate of 3.84 per cent means the owner of a single-family home with an average assessed value of \$556,210 will pay \$1,932 for the municipal portion of their property taxes.

A City property tax bill will also include other user fees such as curbside collection and levies for other taxing authorities (e.g. School District, Regional District of Central Okanagan, Library, Hospital and B.C. Assessment Authority).

The maximum that can be claimed for the Provincial Home Owner Grant remains the same as 2016, \$770 for homeowners under 65 years of age and \$1,045 for those 65 and over. The threshold before the grant begins to reduce has increased from \$1,200,000 in 2016 to \$1,600,000 in 2017. After \$1,600,000 the grant is reduced by \$5.00 for every \$1,000 of residential assessed value. Homeowners 65 and over, who do not qualify for the additional home owner grant amount due to the high assessment of their home, may apply to Home Owner Grant Administration for a low income grant supplemental. These can be low-income seniors, certain veterans and certain persons with disabilities.

The Property Tax Deferment program and the Family with Children Deferment program continues to be available. These low-interest loan programs assist qualifying homeowners in British Columbia in paying the annual property taxes on their homes.

No changes were announced to the 60 per cent school tax credit for major industry properties or the 50 per cent school tax credit for land classified as “farm”.

Conclusion

The recommendation is for a net municipal property tax increase averaging 3.84 per cent.

The 2017 Financial Plan continues to provide for the services, infrastructure and amenities expected by the citizens of Kelowna in a cost effective manner.

Legal/Statutory Authority:

Financial Plan under Section 165 of the Community Charter requires adoption of a 5 Year Financial Plan bylaw prior to the annual property tax bylaw. Annual property tax bylaw under Section 197 of the Community Charter, Council must establish tax rates by bylaw after adoption of the financial plan but before May 15th.

Internal Circulation:

G. Davidson, Financial Services Divisional Director
G. King, Financial Planning Manager
M. Antunes, Acting Budget Supervisor

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:

A handwritten signature in black ink, appearing to read "Ron Mattiussi", is written over a light gray rectangular background.

R.L. (Ron) Mattiussi, MCIP
City Manager