



City of
Kelowna

2017 Financial Plan Final budget – volume 3

Kelowna, British Columbia

May 2017

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FINANCIAL SUMMARIES

The 2017 Financial Plan results in a Final Tax Demand of \$127.1 million. This represents an increase of \$179,200 relative to the Provisional Financial Plan. The total taxation revenue from new construction has increased by \$200,000.

The impact to the average property owner is 3.84%.

Final Budget summaries

Analysis of tax demand

The 2016 final tax demand was \$119.9M and had a 4.11% net property owner impact. The 2017 gross department operating expenditures increased by 4.96% and net department revenues increased by 4.45% for a total net department operating expenditure increase of \$6.2M. The net general debt increased by 16.93%, capital expenditures from general taxation increased by 1.09% and general revenue decreased by 0.74% for a total gross tax demand increase of \$7.2M.

	2016	2017	Change	% Change
Gross departmental operating expenditures	\$202,831,108	\$212,890,808	\$10,059,700	4.96%
Net departmental revenue	87,642,391	91,544,507	3,902,116	4.45%
Net departmental operating expenditure	115,188,717	121,346,301	6,157,584	
Net general debt	4,873,513	5,698,519	825,006	16.93%
Capital expenditures from general taxation	12,028,840	12,160,000	131,160	1.09%
General revenue	12,211,640	12,120,800	(90,840)	(0.74%)
Gross tax demand	\$119,879,430	\$127,084,020	\$7,204,590	
Less new construction value	1,667,000	2,600,000	933,000	
Net property owner impact	4.11%	3.84%		(0.27%)

General Fund tax demand

The tax demand established at Provisional Budget was \$126.9M. The estimated new construction revenue was \$2.4M, based on BC Assessment preliminary roll information, resulting in a 3.86% net property owner impact.

Final Budget requests for net general fund operating and capital expenditures from tax demand total \$179,200, increasing the total tax demand to \$127.1M. Final new construction revenues, based on the revised assessment roll, increased by \$200,000 to total \$2.6M resulting in a 3.84% net property owner impact.

Provisional Budget tax demand			\$126,904,820
Final Budget submissions			
General revenues	129,200		
Operating requests	50,000	179,200	
Capital project requests		0	
Total Final Budget additions			179,200
Final tax demand			\$127,084,020
Less new construction revenue			2,600,000
Net property owner impact			
Protective Services (Police Services: Building & Contract)			1.56%
Other			2.28%
Financial Plan - Final Budget			3.84%

Utility Funds – Final Budget

Final Budget requests for utility fund operating and capital expenditures total \$256,700; \$235,000 for the Water Utility and \$21,700 for the Wastewater Utility.

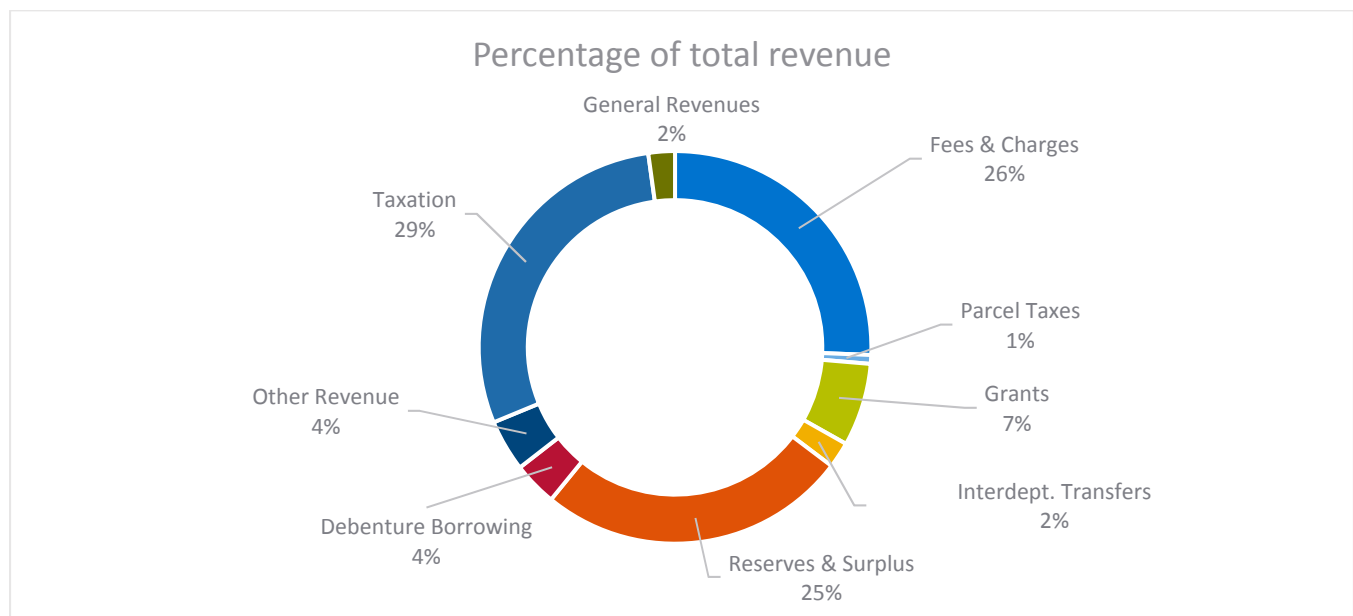
Final Budget submissions			
Revenue		0	
Operating requests	21,700	21,700	
Capital project requests		235,000	
Total Final Budget additions			\$256,700

Analysis of total revenues (millions)

The table below summarizes the total operating and capital revenues by source.

Taxation	\$127.1
Parcel Taxes	3.1
Fees and Charges	112.1
Grants	29.9
Interdept. Transfers	9.4
Reserves and Surplus	111.8
Debenture/Borrowing	15.9
Other Revenue	18.6
General Revenues (<i>Excluding fees and charges</i>)	9.6
Total revenues by source	\$437.5

As seen in the graph below, Fees & Charges (26%), Reserve or Surplus funding (25%) and Taxation (29%) are the three largest revenue sources.



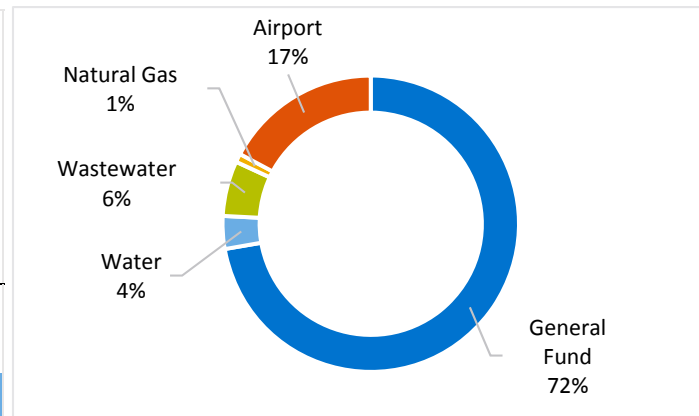
Analysis of total expenditures

The total expenditure budget requirement is \$437.5M with \$291.2M for operating needs and \$146.3M for the 2017 capital program.

The table below summarizes the total operating and capital expenditures by fund.

Expenditures by fund (millions)

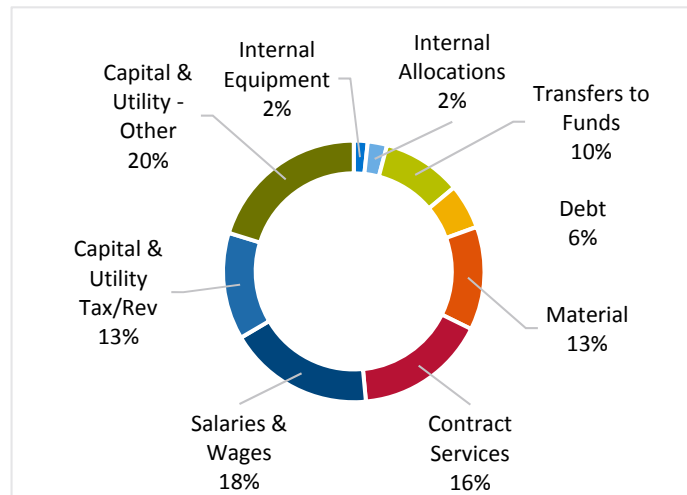
	Operating	Capital
General Fund	\$222.4	\$93.8
Water	\$12.2	3.5
Wastewater	\$19.3	7.0
Natural Gas	\$4.1	0.0
Airport	\$33.2	42.0
	\$291.2	\$146.3
Total expenditures by fund		\$437.5



The table below summarizes the total operating and capital expenditures by type.

Expenditures by type (millions)

Internal Equipment	\$7.6
Internal Allocations	10.4
Transfers to Funds	42.9
Debt	24.3
Material	56.0
Contract Services	71.1
Salaries & Wages	78.9
Capital & Utility Tax/Rev	57.8
Capital & Utility - Other	88.5
Total expenditures by type	\$437.5



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 single family detached residential property (under 2 acres in size) in Kelowna for 2017. The average assessed value of \$556,210 was obtained from BC Assessment information. The service area with the highest cost is Police Services at 25.5% followed by the Fire Department at 12.6% and Parks Services at 12.2%.

Service area	Cost	Percent of Total	Percent in 2016
Police Services	\$534.08	25.5 %	25.4 %
Fire Department	263.55	12.6	12.4
Civic Operations			
Street Lights	36.55	1.7	1.8
Building Services	163.87	7.8	8.5
Parks Services	255.95	12.2	10.9
Transportation Services	194.22	9.3	9.9
Utility Services	26.75	1.3	1.3
Planning & Development	112.11	5.4	5.6
Active Living & Cultural Services	92.50	4.4	4.2
Regional Programs	8.07	0.4	0.4
Public Transit	103.49	4.9	5.2
Debt	89.45	4.3	3.8
Grants or transfers to external organizations or individuals	49.28	2.4	2.5
Waste collection & disposal	164.82	7.8	8.1
Total Municipal portion of taxes	\$2,094.69	100.0 %	100.0 %

Ongoing budget impacts

The ongoing impacts resulting from prior year Council approved operating requests have been summarized in the table below. There is a 2.36% increase for 2018 and a 2.21% increase for 2019 before considering the impacts of borrowing or inflation.

	2018 Impact	2019 Impact
One time costs/revenues		
2017 miscellaneous one time operating costs	\$(669,540)	\$0
2017 one time expenditure reduction	0	0
Total one time costs	(669,540)	0
Tax impact	(0.53%)	0.00%
Additional cost increases		
2016 other incremental costs	283,530	0
2017 other incremental costs	577,110	13,560
Total additional costs	860,640	13,560
Tax impact	0.68%	0.01%
Estimated contract increases	2,803,600	2,949,770
Tax impact	2.21%	2.20%
Total budget impacts	\$2,994,700	\$2,963,330
	2.36%	2.21%

Financial Plan 2017 - 2021

The table below outlines the City's Five-Year forecast for all funds revenues and expenditures for 2017 – 2021. The years 2022 - 2030 are included in summary form to match the term of the 20-Year Servicing Plan. For detailed information see section C of the 2017 Financial Plan.

Financial Plan 2017-2021

	2017	2018	2019	2020	2021	2022-2030
Revenue						
Property Value Tax	127,084,020	133,391,291	139,053,656	144,269,573	150,520,650	1,626,957,293
Library Requisition	5,950,303	6,087,160	6,227,165	6,370,389	6,516,908	65,827,989
Parcel Taxes	3,154,723	3,219,927	3,243,472	3,267,389	3,270,404	30,397,286
Fees and Charges	112,092,717	111,618,043	113,553,866	116,187,523	118,880,575	1,197,504,937
Borrowing Proceeds	15,930,220	-	-	-	4,000,000	85,000,000
Other Sources	61,502,462	44,637,704	51,851,029	49,362,073	48,664,370	510,506,871
	325,714,445	298,954,125	313,929,188	319,456,947	331,852,907	3,516,194,376
Transfer between Funds						
Reserve Funds	1,862,704	1,181,537	1,181,537	1,181,537	1,181,537	8,964,865
DCC Funds	15,026,440	21,285,497	20,395,246	34,338,223	27,705,741	147,695,751
Surplus/Reserve Accounts	94,892,394	54,747,743	44,371,689	75,275,798	55,421,482	401,455,575
	111,781,538	77,214,777	65,948,472	110,795,558	84,308,760	558,116,191
Total Revenues	437,495,983	376,168,902	379,877,660	430,252,505	416,161,666	4,074,310,567
Expenditures						
Municipal Debt						
Debt Interest	10,903,509	11,402,726	7,012,004	5,820,503	5,563,242	57,855,894
Debt Principal	13,415,274	13,390,117	9,443,635	6,341,502	5,650,037	59,279,959
Capital Expenditures	146,353,980	82,197,028	79,717,588	126,646,378	100,908,563	839,794,836
Other Municipal Purposes						
General Government	28,632,154	29,165,952	30,372,095	31,185,781	32,108,825	339,165,816
Planning, Development & Building Services	25,025,561	22,786,911	23,435,872	24,239,675	25,093,720	260,900,296
Community Services	82,712,019	83,786,798	86,313,299	88,685,655	91,764,488	977,545,000
Protective Services	53,411,325	55,945,963	58,746,411	61,497,356	64,184,677	692,031,304
Utilities	20,332,794	20,213,058	20,847,530	20,568,409	21,111,378	216,312,957
Airport	13,826,388	14,303,137	14,788,859	15,302,837	15,836,697	168,386,749
	394,613,004	333,191,691	330,677,293	380,288,096	362,221,626	3,611,272,811
Transfers between Funds						
Reserve Funds	16,986,375	17,218,906	16,760,485	16,746,771	16,703,194	148,571,969
DCC Funds	-	-	-	-	-	-
Surplus/Reserve Accounts	25,896,604	25,758,306	32,439,882	33,217,638	37,236,846	314,465,787
	42,882,979	42,977,212	49,200,367	49,964,409	53,940,040	463,037,756
Total Expenditures	437,495,983	376,168,902	379,877,660	430,252,505	416,161,666	4,074,310,567

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Operating & Capital Budget

2017 Operating Requests

Final Budget

Summary - General Fund

CITY OF KELOWNA

Page	Description	Cost	Reserve	Borrow	Gov/Contr	Revenue	Utility	Taxation	Cat
<u>Active Living & Culture Division</u>									
10	Paddle Trail Project	50,000	0	0	0	0	0	(50,000)	OT
	Division Priority 1 Total	50,000	0	0	0	0	0	(50,000)	
<u>Corporate & Protective Services Division</u>									
<i>Revenue & Fees</i>									
10	FortisBC Gas Franchise Fee	0	0	0	0	129,200	0	(129,200)	OG
	Division Priority 1 Total	0	0	0	0	129,200	0	(129,200)	
<u>Corporate & Protective Services Division</u>									
<i>Debt & Other</i>									
11	Transmission of Taxes - BIA'S and Other Governments	101,170,993	0	0	0	(101,170,993)	0	0	OT
	Division Priority 1 Total	101,170,993	0	0	0	(101,170,993)	0	0	
	Total Priority 1 Operating	101,220,993	0	0	0	(101,041,793)	0	(179,200)	

2017 Operating Request Details

CITY OF KELOWNA

Division:	Active Living & Culture	Priority:	1
Department:	Active Living & Culture		ONE-TIME
Title:	Paddle Trail Project		NEW

Justification:

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. The project will involve installation of wayfinding buoys to provide information on distances and public beach accesses to make exploring Kelowna by water much easier. This is a one-time funding request which will be augmented by \$15,000 that was awarded to the Dragonboat Society through the Sesquicentennial Grant program as matching funds. Application for Provincial funding to expand the program was unsuccessful. Additional funding is required to allow the entire 20km route of buoys to be installed in 2017.

Corporate Framework: An active, inclusive city - Active living opportunities

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2017	50,000	0	0	0	0	0	0	(50,000)

Division:	Corporate & Protective Services	Priority:	1
Department:	Financial Services		ON-GOING
Title:	FortisBC Gas Franchise Fee		EXISTING

Justification:

This request is to adjust the franchise fee revenue due from FortisBC to \$1,080,550 from the 2017 Provisional amount of \$1,209,750. The fee is based on 3% of the gross revenue from natural gas sales within the City of Kelowna during the 2016 calendar year.

Corporate Framework: A well-run City - Strong financial management

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2017	0	0	0	0	0	129,200	0	(129,200)
2018	0	0	0	0	0	129,200	0	(129,200)
2019	0	0	0	0	0	129,200	0	(129,200)

2017 Operating Request Details

CITY OF KELOWNA

Division:	Corporate & Protective Services	Priority:	1
Department:	Financial Services		ONE-TIME
Title:	Transmission of Taxes - BIA'S and Other Governments		EXISTING

Justification:

To establish the receipt and disbursement of taxes to Business Improvement Areas (BIA's) and other governments.

	2016.....	2017(est.)
RDCO.....	10,685,876.....	10,624,848
RDCO SIR Land Levy.....	725,944.....	731,272
RDCO SIR Parcel Tax.....	329,755.....	322,597
BC Assessment Auth.....	2,009,827.....	1,857,389
School Tax.....	67,765,606.....	69,120,918
Kelowna Downtown BIA.....	828,404.....	857,398
Uptown Rutland BIA.....	172,700.....	176,160
Regional Hospital.....	11,453,987.....	11,530,108
Okanagan Regional Lib.....	5,756,024.....	5,950,303

Corporate Framework: A well-run City - Strong financial management

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility	Taxation
2017	101,170,993	0	0	0	0	(101,170,993)	0	0

2017 Operating Requests

Final Budget

Summary - Utility Funds

CITY OF KELOWNA

Page	Description	Cost	Reserve	Borrow	Gov/Contr	Revenue	Utility	Cat
<u>Wastewater</u>								
I1	McCarthy Lift Station	21,700	0	0	0	0	(21,700)	OG
	Department Priority 1 Total	21,700	0	0	0	0	(21,700)	
	Total Priority 1 Operating	21,700	0	0	0	0	(21,700)	

2017 Operating Request Details

CITY OF KELOWNA

Division:	Civic Operations	Priority:	1
Department:	Utility Services		ON-GOING
Title:	McCarthy Lift Station		NEW

Justification:

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

Corporate Framework: A well-run City - Passionate public service

	Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Revenue	Utility
2017	21,700	0	0	0	0	0	(21,700)
2018	21,700	0	0	0	0	0	(21,700)
2019	21,700	0	0	0	0	0	(21,700)

2017 Capital Requests

Final Budget

Summary - Utility Funds

CITY OF KELOWNA

Page	Project	Description	Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility
Water Capital - Priority 1								
Renew								
15	3323	Skyline Pump Station Repairs	235,000	0	0	0	0	(235,000)
		Total Renew	235,000	0	0	0	0	(235,000)
		Cost Center Totals	235,000	0	0	0	0	(235,000)
		Grand Total	235,000	0	0	0	0	(235,000)

2017 Capital Request Details

CITY OF KELOWNA

Department: Capital Projects

Priority: 1 Renew

Cost Center: Water Capital

Title: Skyline Pump Station Repairs

\$235,000

Justification:

This budget 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. In December 2016, the pump station electrical room flooded, damaging equipment and shutting down the station. Currently the backup power for this station is not functioning which presents an operational risk as it is the only means of conveying water to customers in the Clifton Road area.

Project Driver: Asset preservation (renewal and replacement to achieve anticipated service life).

Corporate Framework: Resilient, well-managed infrastructure - Well-maintained utilities

Asset Cost	Reserve	Borrow	Fed/Prov	Dev/Com	Utility
235,000	0	0	0	0	(235,000)



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