

CITY OF KELOWNA

BYLAW NO. 11394

Five Year Financial Plan 2017-2021

The Municipal Council of the City of Kelowna, in open meeting assembled, enacts as follows:

1. Schedule "A" attached hereto and forming part of this bylaw is hereby declared to be the Five Year Financial Plan of the City of Kelowna for the period January 1st, 2017 to and including December 31st, 2021.
2. Schedule "B" attached hereto and forming part of this bylaw is hereby declared to be the Statement of Objectives and Policies in accordance with Section 165 (3.1) of the *Community Charter*.
3. This bylaw may be cited for all purposes as the "Five Year Financial Plan Bylaw, 2017-2021, No. 11394".

Read a first, second and third time by the Municipal Council this 1st day of May, 2017.

Adopted by the Municipal Council of the City of Kelowna this

Mayor

City Clerk

Schedule A
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

**Schedule “B”
Statement of Objectives and Policies**

In accordance with Section 165(3.1) of the *Community Charter*, municipalities are required to include in the Five Year Financial Plan, objectives and policies regarding each of the following:

- (a) For each of the funding sources described in Section 165(7) of the *Community Charter*, the proportion of total revenue that is proposed to come from that funding source;
- (b) The distribution of property value taxes among the property classes that may be subject to taxes; and
- (c) The use of permissive tax exemptions.

Funding Sources

Table 1 shows the proportion of total revenue proposed to be raised from each funding source in 2017. Property taxes and fees and charges are two of the largest sources of revenue. Both have advantages in that they are stable, relatively simple to administer and are generally understood by citizens. The City of Kelowna also utilizes funds from reserves and surplus as another main source of financial support. Reserve funds are closely managed to ensure and protect the current and future financial viability of the municipality. Other sources of revenue may be variable and fluctuate from year to year depending on the economic influences and capital programs undertaken by the City.

Objectives

- Investigate other potential funding sources and securing opportunities for additional revenues.
- Begin to decrease the municipality’s reliance on property taxes and explore opportunities to increase the percent of total revenue received from user fees and charges and senior government grants.
- Maintain a fees and charges structure whereby increases are applied on a regular basis in line with inflation, while ensuring that service levels remain competitive and affordable.

Policies

- Pursue non-property tax revenues whenever possible through applying for government grants and charging user fees at appropriate levels.
- Perform regular reviews of revenue generating areas for appropriate application of rate increases.
 - Planning and Development Fees.
 - Recreation & Cultural Services - application of BC Consumer Price Index.
 - Utility Revenues - ensure Utilities operate as self-supporting enterprise funds.
- Increase provincial and federal grant revenue through maximum utilization of the City’s Grant Manager position.

Table 1: Sources of Revenue

Revenue Source	Revenue \$ (000’s)	% of Revenue
Property Value Tax	127,084	29%
Library Requisition	5,950	1%
Parcel Taxes	3,155	1%
Fees & Charges	112,093	26%
Borrowing Proceeds	15,930	4%
Other Sources	61,502	14%
Reserve Funds/Accounts	111,782	25%
Total	437,496	100%

Distribution of Property Tax Rates

Table 2 outlines the council approved municipal tax distribution policy for 2016 and the relative proportion of tax revenues. Projected revenues from the combined residential, recreational and Non-Profit classes, provides the largest proportion of property tax revenue. This cumulative class represents the largest tax assessment base and hence utilizes the majority of City services.

Objectives

- Provide an effective tax change that is the same for all property classes.
- Ensure that business and light industry property tax ratios remain below the average of BC municipalities with populations greater than 75,000.
- Allow for a maximum ratio cap of 3.00:1 for the Light Industrial/Business class.

Policies

- Council will annually review and modify tax class ratios to provide an effective tax change that is the same for all classes.
- The impacts on other property classes from administering a ratio cap on the Light Industrial/Business classes will be reported to Council during the annual Tax Distribution Policy review.
- Regularly review and compare the City’s relative position in terms of distribution of taxes to other similarly sized municipalities in British Columbia.

Table 2: Tax Class Ratios and Projected Revenues

Property Class	Description	2017 Tax Class Ratios	Tax Revenue (000's)	2016 Tax Class Ratios
01/08/03	Res/Rec/NP/SH	1.0000:1	88,500	1.0000:1
02	Utilities	5.3182:1	606	5.0458:1
04	Major Industrial	5.8019:1	428	3.7328:1
05/06	Light Ind/Bus/Other	2.2967:1	37,008	2.1934:1
09	Farm Land	0.1357:1	10	0.1275:1
91	Farm Improvements	0.4810:1	532	0.4801:1
	Total Revenues		127,084	

Property Tax Exemptions

The City has an existing permissive tax exemption policy which guides the administration and approval of permissive tax exemptions. Some of the eligibility criteria for permissive tax exemptions that are outlined in the policy include the following:

- The applicant must qualify for an exemption under the provisions of the Community Charter.
- The organization receiving an exemption must be a registered non-profit society or registered charity, as the support of the municipality will not be used for commercial and private gain.
- The tax exemption must demonstrate benefit to the community and residents of the City by enhancing the quality of life (spiritually, educationally, socially and culturally), while delivering services economically to the citizens within the community.

The value of tax exemptions provided by Council for 2017 (based on 2016 assessment totals and tax rates) is \$2,030,030. The following breaks down the total into various exemption categories and the exemption value for the category:

Places of Worship - \$ 280,698
Private schools - \$ 169,575
Hospitals - \$ 16,159
Special Needs Housing - \$ 58,521
Social Services - \$185,070
Public Park, Athletic or Recreational - \$ 442,461
Cultural - \$ 325,133
Partnering, Heritage or Other Special Exemptions Authority - \$ 325,231
Revitalization - \$ 227,182

In order to encourage the restoration and preservation of commercial, industrial and institutional building, properties that meet the criteria outlined in the Heritage Building Tax Incentive Program policy can receive a tax exemption.

The establishment of the Revitalization Tax Exemption policy allows qualifying properties within the Downtown Urban Centre and Rutland Urban Centre areas to receive a tax exemption.

Objectives

- Continue to provide permissive tax exemptions to support qualifying organizations that improve the well-being of the community.
- The municipality will continue to provide heritage and revitalization tax exemptions for qualifying properties.

Policies

- Permissive tax exemptions will be considered to encourage activities that: (a) are consistent with the quality of life objectives of the municipality; (b) provide direct access and benefit to the public; and (c) would otherwise be provided by the municipality.
- To meet the city's commitment to the ongoing restoration, preservation and maintenance of buildings and structures on its Heritage Register, eligible properties will be considered for a tax exemption.
- To support the city's revitalization program of the Downtown Urban Centre and Rutland Urban Centre, qualifying properties will be considered for a tax exemption.