

# Memo



Date: 12/9/2015  
Rim No. 0220-20  
To: Mayor and Councillors  
From: City Manager  
Subject: 2016 FINANCIAL PLAN

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I am pleased to present Council with the provisional 2016 Financial Plan. City of Kelowna staff have worked to balance the City's current financial outlook with community needs and priorities established by Council for the years ahead.

While meeting financial commitments from previous budgets, including significant commitments to police services, the 2016 budget focuses on supporting **core services, innovation, health and safety** and finding new ways to **generate revenue**.

This direction for 2016 is derived from the current financial outlook and Council's priorities for the development of a safe, vibrant and sustainable city.

Council has set the tone for its term of office and has committed to:

- be open for opportunity
- build on momentum
- be fair but firm
- provide pragmatic leadership
- foster transparency in decision making
- invest in balanced infrastructure
- be committed to responsive customer service
- focus on planning excellence

The 2016 Financial Plan presents Council with responsible choices that follow through on these priorities while keeping property taxes and fees affordable. A corporate culture of innovation and continuous improvement continues to produce the highest value for citizens when delivering Council priorities.

The recommendation presented is for a 2.14% increase for City operations and capital projects, plus previous commitments of 1.97% for the new Police Services Building and police contract cost increases, for a total 4.11% tax increase for 2016.

**Core Services**

2016 investments strike a balance between renewing existing infrastructure and operations while funding new assets and the requisite staff. Investment in recent years focused primarily on new assets, while spending on some existing assets and operations was deferred. We have reached a point where renewal of some assets is necessary to maintain service levels and avoid the costlier option of replacement.

The need for investment also applies to key staffing areas supporting core financial and information services, along with ongoing programs for community safety. The 2016 Financial Plan recommends staff enhancement in bylaw enforcement, police, social development, financial services and information services.

Investment in protective services is needed to build on the momentum of our declining crime rate, while investment on the social side of the equation provides pragmatic leadership to help address up-stream causes driving the need for police and bylaw services.

Meanwhile, staffing recommendations for information and financial services reflect our community's expectation for transparent decision making and sound financial management. In particular, investment in information services is required to bring staff resources to a level that meets needs for core business operations and customer expectations for mobile, online services. Statistics Canada notes that Kelowna has the highest Internet use in Canada, with 94% of residents regularly accessing Internet services.

In keeping with the City of Kelowna's foundational commitment to balance transportation infrastructure, investment is recommended to continue traffic congestion reduction efforts by increasing the appeal of alternate forms of transportation. A CN Rail Corridor Master Plan funding request recommendation, along with transit service enhancements and improvements are examples of our commitment to planning excellence.

## **Innovation**

The process followed for this year's budget included some new measures to refine long-range cost projections. Ongoing operation costs are now factored into every 2016 capital funding request, providing more reliable data to manage the impact of new projects or services on City finances, staff resources and the community.

The 2016 provisional budget recommends investment in our organization and Information Technology infrastructure to better serve our citizens and make evidence based decisions. Website improvements will contribute to transparency and responsive customer service for our 5.5 million annual site visitors and will determine how we can deliver more e-services and open data.

The RCMP crime reduction strategy relies heavily on data analytics to root decisions in evidence that guides the most efficient deployment of resources.

Investment in expanding Kelowna International Airport ensures this City facility remains a pillar of the local economy, while also contributing to the quality of life enjoyed by our citizens.

The multi-phased expansions at YLW include construction of the new outbound baggage facility, expected to be complete in 2017. Departure lounge renovations in 2016 include modernization of retail outlets, duty-free shop, food kiosks, family centre and business centre.

These projects are not funded from taxation, but from the \$15 Airport Improvement Fee collected from each departing passenger.

### **Health and Safety**

As stated above, investment in protective services is needed to build on the momentum of our declining crime rate. The 2016 Financial Plan takes this commitment to community safety a step further with a recommendation for a Social Development Coordinator.

This staffing recommendation reflects Council's direction to maintain a healthy, safe, active and inclusive community. As progress is made on crime reduction, attention must also be paid to address the reasons for homelessness and other concerns in our urban centres.

Investment in health and safety is also represented by continued participation in the Healthy City Strategy with the University of British Columbia Okanagan and Interior Health Authority. Similarly, the Strong Neighbourhoods program will build on successes from 2015 and facilitate more opportunities for residents to interact and engage with City services.

Ongoing efforts to encourage healthy, active lifestyles take full advantage of our natural environment. Expansion of our active transportation network continues in 2016 with the next phase of the Ethel Street corridor and construction of the John Hindle Drive connection to UBCO.

### **Generate Revenue**

Building a great community relies on giving all citizens the best quality of life we can offer within the resources available to us each year.

An area of emphasis in the 2016 Financial Plan is to explore options to generate new streams of revenue. The City of Kelowna has pioneered this approach to annual budgeting, with 76 per cent of revenues in 2015 coming from sources other than taxation.

The City's Strategic Services branch has identified a number of opportunities to create or increase revenue, including Ogogrow sales expansion, new energy production options from the landfill and expansion of the City's fibre-optic network.

Expanding the City's dark fibre network is an example of how projects in 2016 will meet Council and City goals for this year's budget. By making dark fibre leases available to third parties, the City has created a new source of revenue, cut costs, increased high-speed communications capabilities, and contributed to setting Kelowna up as an attractive place for high-tech sector talent and business investment.

Development of a Sponsorship and Advertising Policy and Program in 2016 will support Council's direction for strong financial management by exploring revenue generation options. The program has the potential to grow over time into a million-dollar-a-year revenue stream.

## The Year Ahead

Council has encouraged administration to be open to opportunity and the 2016 Financial Plan demonstrates our commitment to pursuing ideas for valuable partnerships. The City of Kelowna will continue to work with Council as catalysts and convenors, bringing parties to the table to develop partnerships that add value for service and project delivery.

We will see the economic and social benefits of these partnerships, along with investment in our facilities and programs that contribute to a healthy, active lifestyle for Kelowna residents.

That commitment includes providing the leadership necessary to bring the region's water purveyors together to work toward a strategy and approach that ensures safe and clean drinking water for the long-term.

These investments in economic and social relationships are important to create a great place to live, with services that influence the quality of life enjoyed by the widest spectrum of citizens.

A handwritten signature in black ink, appearing to read "Ron Mattiussi", with a stylized, flowing script.

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