

CITY OF KELOWNA – BRITISH COLUMBIA

2005 FINANCIAL PLAN

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Kelowna Centennial, 1905 – 2005 *A Birthday to be proud of!*

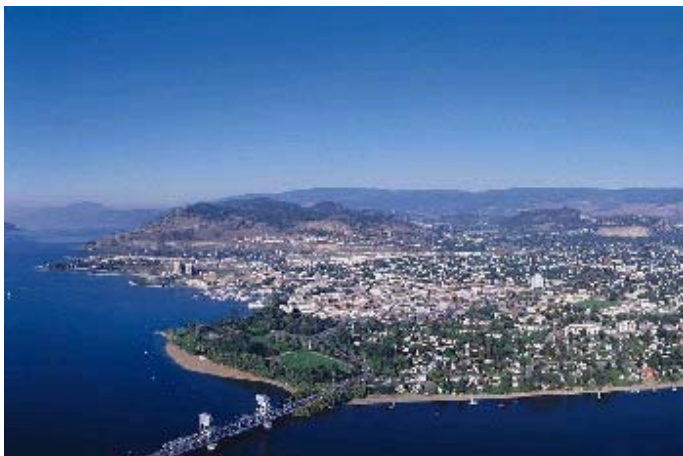
The City of Kelowna was incorporated in 1905, thirteen years after it had been laid out and named by Bernard Lequime. Meaning “Grizzly Bear” in the language of the Interior Salish people of the area. The City of Kelowna is centrally located in the Okanagan Valley on the eastern shore of Okanagan Lake mid-way between Penticton in the south and Vernon in the north.

When Kelowna was incorporated in 1905, the population consisted of 600 people and farming was the economic mainstay of the region. The little lakeside town has grown to be the largest city in the Interior of British Columbia with a population over 103,000.



At the time of incorporation the City was on the cusp of a major economic change. The entire Okanagan Valley, in fact, was shifting from cattle ranching/grain growing to orcharding – shifting from ‘extensive’ to ‘intensive’ agriculture. Large and expensive irrigation systems were laid out across the benchlands and valley bottoms and they helped turn the arid landscape from brown to green.

Orchard expansion continued through the First World War and into the 1920s and 1930s. Its growth was accompanied by an equally impressive expansion of packinghouses, canneries, box factories and cold storage buildings. In the 1920s, a new rail system connected Kelowna to the C. P. R. mainline, and in the 1930s new tree fruit marketing systems were put in place. Together, these developments helped secure Kelowna’s place as “The Orchard City”.



Tourism development was supported by new highway systems in the 1940s and 1950s; and the whole Okanagan Valley was pulled together even more with the opening of Okanagan Lake Floating Bridge in 1958, the longest floating bridge in North America (7/8 mile). Okanagan Lake is 145 km. (90 miles) long.

In the 1960s and 1970s the City welcomed the attention of both the provincial and federal government programs to help speed up the area's industrial growth. In less than a decade tens of millions of dollars were invested in manufacturing. With that industrial expansion came people and an accompanying growth in surrounding residential areas.

Kelowna has become the main marketing and distribution centre of the Okanagan Valley, with a flourishing tree fruit industry and a growing light industrial sector that competes on a world scale. Best known for forestry, manufacturing and agriculture, Kelowna also has a growing high technology sector that includes aerospace development and service. Kelowna's airport is the 11th busiest in Canada with over 30 flights a day. Prospera Place, a 6,000-seat multi-purpose facility is home to the Kelowna Rockets of the Western Hockey League and attracts major entertainers and events.



The Rotary Centre for the Arts was completed in 2002 and provides a centre point for the city's Cultural District. The city was named one of Canada's **Cultural Capitals** in 2004 to recognize the commitment to arts & culture. Kelowna is home to several local theatre groups, a symphony orchestra, a museum and numerous art galleries.

Kelowna General Hospital is the largest and most comprehensive in the southern B.C. interior maintaining 329 beds and a full treatment cancer clinic. The Okanagan's new University of British Columbia campus, **UBC Okanagan**, will begin in September 2005 at the existing North Kelowna campus of OUC. UBC Okanagan will offer a world class research and teaching university within a small campus setting. The South campus will become Okanagan College, the largest college in BC east of the lower mainland.

Kelowna is considered one of the most liveable cities in the world. The city won the Canadian Nations in Bloom competition in 2003 for its population range 50,001-100,000. In 2001 the city won a Gold Award and a second place finish at the Nations in Bloom world competition in Shenzhen, China (50,000 - 300,000 population category).

Kelowna has all the amenities of a major city - fine dining, unique shops and a vibrant cultural life - yet orchards and vineyards thrive within a 10-minute drive of the downtown core. Spectacular vistas await those ready to explore; a delightful day can be spent sampling the award-winning wares of our numerous internationally-acclaimed wineries, or visiting one of several championship golf courses in the area. Kelowna residents and tourists alike find the lake offers wonderful opportunities for boating, swimming or fishing. The nearby mountains attract hikers, skiers and outdoor enthusiasts of all descriptions. There are three major ski hills within a one-hour drive. Through the last decades of the 20th Century the city continued to grow and diversify its economy and to strengthen its cultural, sporting and leisure services. In a conscious effort to ensure its citizens could enjoy a lifestyle not found anywhere else in Canada.

The next 100 years of Kelowna are certain to be just as successful as the first 100. With a new bridge, continued development of infrastructure, tourism and increased residential, industrial and commercial expansion, the economic viability of Kelowna is guaranteed. Combine with that a commitment to traditional values and a care for the environment, and you have a location that is prime for work and play for at least another 100 years.

Included in the appendix called "Statistics" there is additional information on the economy in the Okanagan Valley and some general statistics about Kelowna.

GENERAL FUND

2005 FINANCIAL PLAN HIGHLIGHTS

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GENERAL/TAXATION REVENUES

General Revenues

General Revenues are those revenues which, by definition and control, are not specifically attributable to or generated by any particular department within the City of Kelowna reporting structure.

The **General Revenue** portion of the 2005 Financial Plan has been projected at \$9,695,136 as compared to \$9,081,696 for 2004, an increase of \$613,440.

The following are some of the more significant changes to projected General Revenues for the 2005 budget year:

1. Revenue from **Utility Companies**, representing 1% of their 2003 sales in lieu of taxes, will increase by \$95,270 in 2005. The increase is due to general increases in all Utilities. The total revenue from this source is \$1,379,500.
2. **Penalties on Utility Accounts**, a reduction in Utility Penalties of \$150,000 is the result of a reduction in the monthly percentage charge from 10% to 3.75%. The current base budget is \$270,000.
3. **Traffic Fine Revenue Grant**, an increase of \$670,000 is included for Traffic Fine Revenue Sharing Grant. The Province is increasing the amount of Traffic Fine Revenue it shares with BC Municipalities from approximately 25% to 100% of the revenues collected. The current base is \$232,495.

Provincial Gaming Revenues are being increased by \$300,000 to \$2.3 million in the 2005 financial plan. Although these revenues are 'general' in nature, they are included in the operating budget under the RCMP section as they are a conditional payment that must be allocated towards a specific program/project.

Taxation Revenues

Increased taxation demand, on existing property owners, represents the difference between increased operating and capital requirements offset by new general and departmental revenues and additional tax revenue generated through new construction.

A large number of the capital programs are funded from existing reserves such as Development Cost Charge Reserves and Equipment Replacement Reserves and do not impact directly on the Taxation Demand.

1. **Taxation Revenue from new construction**, based on preliminary information, has been projected at **\$2.8 Million**. The actual new construction assessments will not be available from B.C. Assessment until the second quarter of 2005.

The **major uses of the funds** generated from this new revenue in 2005 are to enhance the City's capital pay-as-you-go program and to service new growth with existing levels of service.

2. Although the overall taxation demand has increased from **\$66.1 Million to \$70.2 Million**, or 6.2%, the **average impact on existing property owners**, taking into consideration the revenue generated from new construction, **will be 1.95%**.
3. B.C. Assessment adopted the annual assessment cycle in 1992. While it is possible to project the average property tax increase using the overall assessment base and the revenues required to operate the City, **the impact on each individual property owner will vary** dependent on the relationship of their overall assessment increase to the average.

Further analysis will be required when B.C. Assessment provides the Revised Assessment Roll in the second quarter of 2005.

OPERATING EXPENDITURES AND DEPARTMENT REVENUES

Departmental operating budgets represent the total cost of operations offset by any direct revenues generated by the department through user fees, provincial contributions or reserve funds put away in prior years to fund current operations.

The highlights, as detailed below, are designed to provide Council with a more global overview of departmental operating budgets. However, the items highlighted do not necessarily include all items which may be of interest to members of Council, nor are they listed in order of priority. A more detailed review of the budget on December 16th will provide additional information.

2005 Financial Plan Impacts

The annualization of operating costs approved in the 2004 budget will add \$484,365 or the equivalent of a 0.7% taxation increase to the 2005 Financial Plan. RCMP staffing, Mission Recreation Park debt and Parks operating funding are the most significant impacts. Onetime requests approved by Council in 2004 have reduced the operating costs for 2005 by approximately \$543,800 (including reserve appropriations of \$600,000 which are included back as a supplemental for 2005). Following is a summary of the net operating impacts for 2005:

• 2004 Net Operating Budget	\$59,107,946
• Less: One Time Requests	(543,800)
• Add: Annualized 2004 Requests	484,365
• Add: Base Adjustments (detailed in the departments)	730,374
• Add: 2005 Requests (Supplementals & Expenditure Reductions)	2,645,601
• 2005 Net Operating Budget	\$62,424,286

Salaries, Wages and Fringe Benefits

1. **Contracts** are in place for C.U.P.E. staff until December 31, 2005, and with the I.A.F.F. (Fire Fighters) bargaining unit until December 31, 2006. Negotiations are ongoing with I.B.E.W. (Electrical workers) for the three staff in that union as their contract expired in 2004.
2. Fringe benefit load factors, which are reflected throughout the departmental operating budgets, have not changed from the 2004 levels.

R.C.M.P. Contract

Security and safety is a focus of the 2005 financial plan with 10 new RCMP members included in the total (3 of those members are included with the Airport budget). The general fund Police contract staffing is at **122 members**

and a vacancy factor for one member. The **average cost per member** has been budgeted at **\$105,500**, which is an increase of \$3,150 from 2004. The per member increase requires an additional \$359,100 for 2005.

Provision of police services through the Reserve Policing program is being continued this year. This program allows the department to quickly fill vacancies or staffing shortages by using a fully trained reserve officer. Reserve positions are especially valuable during the busy summer policing season. This program does not have specific budget but will be funded by vacancies within the regular member contingent.

Keep of Prisoner recoveries have decreased by \$50,000 based on 2004 revenues, reducing the total to \$379,900. As mentioned earlier, the casino revenue sharing from the Province is reported within the RCMP budget and has increased by \$300,000 to \$2.3 million for 2005.

Additional Staffing - Supplemental Requests

There are seventeen (17) **full-time permanent positions** included in the 2005 financial plan as Priority 1 requests. Some new positions are not funded for the full year initially and count as a fraction of a position for the first year. The new positions equate to 15 full time equivalent staff members for 2005. There are also requests for 8.5 full time equivalent (FTE) staff members in various relief or hourly positions. The full-time permanent positions are as follows:

1. Addition of 2 positions within City Management to focus on increased communications and public consultation; a Communications Assistant Admin position and a Communications Assistant.
2. Addition of 2 positions within Financial Services; a Risk and Claims Analyst with partial funding from the insurance deductibles and claims budget and a Senior Accountant in the Revenue division partially funded from additional fees.
3. Addition of an Okanagan Mainline Municipal Labour Relations Association (OMMLRA) administrative position with funding recovered from OMMLRA.
4. Addition of 2 positions within Inspections Services; a Plan Checker and a Building Inspector II, with funding from Permit Revenues.
5. Addition of 2 fulltime positions within Community Development and Real Estate; a Property Officer II with funding from capital projects and an Administrative Clerk.
6. Addition of a Help Desk Support position within Information Services.
7. Addition of 2 fulltime positions within Cultural Services; a Cultural Facilities Manager, partially funded from a Cultural Capital Grant and a Cultural Development Supervisor.
8. Total of 1 new position in Works and Utilities; half FTE positions for both the pesticide program and for the post fire rehabilitation project with partial funding from the Province.
9. Addition of an Administrative Assistant within Transportation with funding partially recovered from capital projects.
10. Addition of a Utilities Planning and Support Technician with 1/3 funding within the Storm Water Management area.
11. Net addition of 3 positions within Police; a Records Unit Supervisor and a Reception/Watch Supervisor will replace the Police Administration Manager, a Secretary in the Transcribing Unit and a Program Coordinator–Security Alarm Systems Bylaw Program (with funding from Bylaw revenue).

Of the 8.5 relief or hourly staff positions, 2 are related to Bylaw Enforcement, 1.4 are for Parks and Recreation maintenance requests and 3.2 are for Landfill staffing requirements.

Other Departmental Operating Highlights

The financial plan includes a number of Priority 1 Supplemental Requests, of which \$2,915,090 is funded from taxation. Some of the more significant changes to the departmental operating budgets for 2005 (that have not been discussed previously) are as follows:

1. The **Okanagan Regional Library requisition** requires a funding increase of \$184,300 bringing the total library payment to \$3.5 million.
2. **Building Repair Reserve** projects of \$417,000 are included as priority 1. The appropriation to the Building Repair Reserve remains at \$450,000 per year.
3. There are a number of submissions in the **Parks Division** associated with **maintaining the parks infrastructure and recreational amenities at an acceptable standard.**
4. **Appropriations to Reserve** of \$600,000 are included in the 2005 financial plan. \$400,000 is to provide funding for the construction of recreational facilities and \$200,000 is for parks development requirements. The appropriation amount is the same as 2004.
5. An **Other Working Capital** supplemental of \$469,700 is included as a provision for anticipated expenditures that have not yet been finalized. Details relative to these expenditures are anticipated prior to establishing tax rates in May, 2005.
6. Additional **Permit Fees, Rezoning and Subdivision revenues** provide a net revenue of \$263,000 to the 2005 financial plan. An appropriation to reserve of \$200,000 is included to offset cyclical fluctuations during the current high growth period.
7. An additional \$54,100 is included for **Cultural Services grants.**
8. **Security increases within City parks and facilities** includes \$25,700 for Knox Mountain Park, \$40,000 for general parks, \$5,900 for Brents Grist Mill and \$5,100 for Rutland Sportsfields.
9. To maintain the **Restorative Justice Program** requires a City contribution of \$65,000 for 2005.
10. A new Transportation initiative, partly due to increased hillside construction, requires \$75,000 to **monitor and remediate Slope Stability issues.**
11. Schedule improvements and increased service for the University route require an increase of \$52,700 to the annual **Conventional Transit System** costs.

In addition to the Supplemental Requests included in the 2005 financial plan, there are **16 Priority 2 supplementals** totaling **\$291,500** which are not included in the budgetary totals, however they are included in the document for Council's review.

There are also **12 Expenditure Reduction** requests for a total 2005 taxation reduction of **\$269,690**. These include debt changes, GST reductions due to legislative changes allowing full recovery for municipalities (including transit), a net reduction in insurance premiums and funds not required due to an unsuccessful bid to host the BC Senior Games.

GENERAL FUND DEBT SERVICING

Net Debt Servicing Costs are budgeted at **\$625,800 in 2005** (\$1,550,400 including Mission Recreation Park interally financed debt). For external debt this represents a \$118,830 decrease compared to 2004. However, there is an increase of \$150,000 in internal debt cost to annualize the requirements for the Mission Recreation Park.

There is no new borrowing included in the 2005 financial plan for the General Fund. The current net general debt (including internal financing), as a percentage of taxation demand, is **2.2% in 2005** as compared to 2.3% of taxation demand in 2004.

CAPITAL EXPENDITURES

The 2005 General Fund **Capital Expenditure Program** (not including the Airport and Utilities) is **\$38.3 Million** of which **\$17.5 Million** is projected to be funded from **general taxation sources**.

The **general taxation contribution** to the capital program has increased by \$1,385,100 over the **2004 Final Budget funding level of \$16.1 million**. The increase is over 49% of the \$2.8 million estimated new construction taxation revenue for 2005. This is consistent with the 10 Year Capital Plan assumption that 50% of new construction revenues will be allocated towards the pay-as-you-go capital program. Additional reserve funding is also used in the capital program to reduce taxation requirements.

The following are some of the highlights of the 2005 Capital Expenditure Program:

General Fund Program

The **general taxation** expenditure of \$17.5 Million has been allocated to departmental budgets as follows:

Community Dev't	General Land/ROW's	\$450,000
Information Services	Computer Equipment & Software	\$620,800
Civic Properties	Facilities Construction & Impr.	\$1,759,250
Recreation	Equipment	\$108,300
Parks	Park Land & Development	\$4,105,400
Works & Utilities	Miscellaneous Works	\$135,000
Transportation Services	Roadways	\$8,506,500
Storm Water Management	Drainage Facilities	\$1,658,000
Street Lights	New Lights & Conversions	\$85,000
Fire	Vehicles & Equipment	\$50,600

There is also **\$20.8 million** from sources other than taxation.

There is an additional \$1,000,000 included for **strategic land requirements** within Community Development & Real Estate with funding from the Land Sales Reserve.

The Information Services budget includes \$160,000 for **upgrades to desktop hardware**, \$250,000 for **server/system upgrades** and \$100,000 for **workstation/server security**.

The Civic Properties budget contains \$530,000 for continuation of the **Upgrade to City Hall workspaces**, \$350,000 for **Memorial Arena Entrance Improvements and Change Rooms**, \$250,000 for **Mission Recreation Park Aquatic Facility** design, \$125,000 for **Apple Bowl Track Upgrade**, \$175,000 for **Parks Headquarters Renovations**, \$187,000 for **Art Gallery Shelving**, \$147,000 for **Civic Facility furnishings** and a \$100,000 provision for **Brent's Grist Mill**.

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4. **Parkland acquisition** funding (including Natural/Linear and Waterfront lands) of \$3.6 million is similar to the 2004 funding level total and includes \$852,300 from taxation.
 5. Funding in the amount of \$1.8 million for the construction of an artificial turf sportsfield is included for the **Mission Recreation Park**.
 6. Funding for property acquisition, design and construction of a portion of the **Rutland Centre Linear Pathway** is included for \$325,000 in 2005.
 7. Funding for major parks or amenities development includes \$650,000 for the **City Park Cenotaph**, \$600,000 for **Quarry Park**, \$400,000 for **Mill Creek Linear Park**, \$280,000 for **Fuel Modification**, \$224,000 for **Park partnership projects**, \$167,000 for **Ben Lee Park**, and a \$200,000 provision for **City Park** improvements.
 8. The **Pavement Management Program** has increased by \$339,000 in taxation funding and decreased \$141,000 in total funding for 2005. This program will include various surface treatments including overlay, micro-asphalt and hot-in-place asphalt.
 9. **Development Cost Charge** road projects for 2005 include \$2.6 million for **KLO (Gordon-Benvoulin)** 4 laning, \$2.0 million for the connection of **Dilworth Drive to Benvoulin at Cooper Road**, \$1.8 million for **Highway 33 (Highway 97–Enterprise)**, \$750,000 for the **Gordon/DeHart Intersection**, \$500,000 for **Gordon Drive (Old Meadows–Stoneybrook)**, \$350,000 for **Rutland Road (Rains-Old Vernon)** for design and land acquisition, \$200,000 for **Stewart Road** land and minor improvements and \$150,000 for **Lakeshore Bridge (Mission Creek)** options and design.
 10. The non-arterial roads program includes \$600,000 for **Crawford Road improvements** and \$250,000 for the **Kent Road extension**.
 11. The combination of the **Sidewalk Network and Bicycle Network Programs** will require \$1,200,000 of pay-as-you-go capital funding for 2005.
 12. A total of \$830,000 has been included in the Transportation budget for **Traffic Signals and Intersections** to improve road safety and enhance orderly traffic flow. As well, \$510,000 will be provided for **Intelligent Transportation System** enhancements and \$250,000 for an **Emergency Signal Pre-Emption** upgrade.
 13. A new major **Transit Exchange** or transit facility improvements at the Rutland or Orchard Park Town Centres is included at \$1.0 million. There are also **transit stop improvements** included for \$120,000.
 14. Mobile and related equipment totaling \$2.1 Million is included in the budget to be funded from the **Equipment Replacement Reserve and taxation**. The largest pieces of equipment being purchased are a forestry unit truck, a line painter, a gravel screening plant, a municipal tractor and 2 tandem axle trucks.

The replenishment of the **General Equipment Replacement Fund** is accomplished through the establishment of appropriate charge-out rates for equipment when used by operating departments.
 15. **On-street Parking Meter replacement and parking lot development** are included at a total cost of \$310,000.
 16. A total of \$1.7 million of taxation funding is included for **Storm Water Management** projects in 2005. The largest projects include \$800,000 for the **Moyer Road Wetlands**, \$230,000 for **Gulley Road**, \$200,000 for **South Rutland Drainage Improvements** and \$200,000 for improvements being made in conjunction with the **Rutland Sewer Projects**.
 17. The Solid Waste Management capital program includes \$1.3 million for **Gas Management**, \$1.0 million for **Leachate Management and Recirculation**, and \$200,000 for **Groundwater Monitoring Wells**.
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UTILITY FUNDS

2005 FINANCIAL PLAN HIGHLIGHTS

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The City of Kelowna operates three major utilities providing **water, wastewater and electrical service**, ongoing individual operation of which is **funded entirely** by user rates in the form of annual parcel taxes and/or monthly user fees.

A **Natural Gas** utility was created in 2001 when the City entered into a capital lease for the gas distribution system within the municipal boundaries. The debt payments for the capital lease are offset by revenues received from an operating lease-back of the distribution network.

The **Airport** also operates similar to a utility and is currently funded by user fees for ongoing operations and maintenance with some limited potential for Federal Ministry of Transportation cost sharing on airside related capital improvements.

The Water and Wastewater Utilities require significant **capital investment to service new growth**, as identified in the 20 Year Servicing Plan and Financing Strategy that was finalized in 2004. Analytical work and annual funding continues on the systematic replacement program for the older infrastructure in both of these utilities.

The **Electrical Utility** services only the original eight square miles that formed the boundaries of the City prior to amalgamation with outlying areas in 1973. The capital investment requirements are necessary to maintain infrastructure and to accommodate new growth in the Downtown Town Centre.

The City's Electrical Utility, as well as the utility billing function for water, wastewater and electrical are managed under 3rd party contracts.

WATER UTILITY

General

An expansion of the 'Watersmart' program in 2005 will assist all of the utility's customers, through a variety of initiatives, to reduce consumption and encourage the wise use of this valuable resource. Reducing the peak demand continues to be a high priority and, if successful, will save the utility millions in future infrastructure expansion.

An appropriate rate structure will be recommended in 2005 to ensure long term revenue stability while achieving the overall consumption and peak factor reduction goals.

The 20 Year Servicing Plan was finalized in 2004 and provides for future capital requirements and the scheduling of those projects. Analysis continues on the effects of expansion to ensure, where possible, that Development Cost Charge funds are available in advance of need, in order to "front-end" costs of major infrastructure.

Construction of the Cedar Creek pump station and of major electrical upgrades at the Poplar Point pump stations will be undertaken in 2005.

A Federal/Provincial Infrastructure Grant was approved in 2003 for Ultra Violet (UV) water treatment equipment that will be installed at the Poplar Point, Eldorado and Swick Road pump stations in 2004 and 2005. UV equipment will be purchased for the proposed Cedar Creek pump station as well.

Financial Outlook - 2005

The **2005 Operating Revenues** are projected at **\$5.5 million**, with approximately \$4.3 Million required to cover operating expenditures and debt repayment.

The Water Utility Capital Program and the Roads and Wastewater Capital Programs are closely interrelated. **Total capital funding for water utility projects from water utility revenue for 2005 is \$2,180,600** with a further \$30,000 required for the General Fund capital program. Borrowing of \$5.6 million will be required due to the magnitude of the 2005 capital program.

The total **Capital Expenditure Program** in the Water Utility is **\$8,740,600** (excluding the General Fund transfer) with major projects budgeted as follows:

Cedar Creek Pump Station	\$4,800,000
Poplar Point Pump Station – Electrical	\$2,000,000

There is a planned budget deficit of \$1.0 million for the Water Utility in 2005. The anticipated surplus position at the end of 2005 will be \$863,200.

WASTEWATER UTILITY - COLLECTION & TREATMENT

General

As with the Water Utility, in-house **financial modeling** provides staff with information to determine the impacts of incremental capital and operating requirements of the utility. The 20 Year Servicing Plan review, finalized in 2004, determines future capital requirements and the scheduling of those projects.

A significant amount of specified area wastewater trunk works have been completed in the last three years. This trend continues in 2005 with the multi-year Southwest Rutland Spec Area.

Replacement of the older infrastructure continues with vitrified clay lines being monitored and replaced as they begin to fail or as other construction occurs in the area. The remaining 34 km's of clay lines will be replaced over a 20 year period. There are approximately 2 km's of wood stave sewer still to be replaced, however in many cases those mains are in better condition than some of the failing clay lines. The remaining wood stave sewer pipes will be replaced as soon as the opportunity to coordinate the work with other infrastructure work presents itself.

The fully recovered operating costs of the **Trade Waste Treatment Plant** (Brandt's Creek) are budgeted at \$788,900 for 2005.

Financial Outlook - 2005

The **2005 Operating Revenues** are projected at **\$9.9 million** with approximately \$3.0 Million required for operating expenditures of the collection system and debt repayment. A further \$4.0 million is required for treatment operations expenditures at the Wastewater Treatment Facility.

The **level of capital funding from current year revenues is \$1,721,500 in 2005** with a further \$30,000 required for the General Fund capital program.

The total **Capital Expenditure Program** in the Wastewater Utility system is **\$13.6 million**, (excluding the General Fund transfer) with major projects budgeted as follows:

South-West Rutland LSA	\$11,300,000	
WWTF		\$971,000
Burn Ave. (Lift Station – Pandosy)		\$418,000
Sutherland (Gordon to Ethel)		375,000

There is a planned budget surplus of \$1.2 million for the Wastewater Utility in 2005. The anticipated surplus position at the end of 2005 will be \$7.3 million.

ELECTRICAL UTILITY

General

2001 was the first full year for the contract operation of the Electrical Utility. The system condition assessment and mapping was completed to the stage where a capital works program was delivered to the city. Safety related improvements identified in the assessment were included in earlier capital plans and further line condition upgrades are planned for 2005.

As in previous years, a major portion of the difference between the retail rates charged to City of Kelowna customers and the wholesale purchase rate charged by Fortis BC; offset by administration and billing costs, operation of the utility, and annual capital costs, is transferred to offset the City of Kelowna general tax demand. This contribution remains at the 2004 level of \$2.1 million.

Financial Outlook - 2005

The **projected revenue** from sales of electrical energy and interest for 2005 is **\$19.4 million** with approximately \$17.0 Million required for operations, administration and bulk purchase costs.

The **capital expenditure program** for 2005 is **\$2.0 million**, all but \$39,000 of which is to be funded from current year's revenues. The focus of the capital program is based on line/substation condition work of \$1,332,800 along with other infrastructure improvements. A further \$135,000 is required from the Electrical Utility for General Fund capital requirements.

There is a budgeted surplus of \$324,300 projected for the Electrical Utility in 2005. The anticipated accumulated surplus at the end of 2005 will be \$10.3 million.

NATURAL GAS

General

The Natural Gas Legacy Fund was established in 2001 with a 35 year capital lease of the gas distribution system within the City and a 17 year operating lease back to Terasen Inc. Each year the City of Kelowna has the option of leasing the distribution system additions from the previous year.

Financial Outlook - 2005

The **projected lease revenue** and interest for 2005 is **\$5.4 million** with approximately \$4.4 million required for principal and interest debt repayments.

There is a budgeted surplus of \$1.0 million for the Natural Gas Utility in 2005 and a projected accumulated surplus at the end of 2005 of \$4.2 million.

AIRPORT

General

Airline activity has gradually increased since September of 2001. As of the end of October, 2004, passenger volumes were up 3.8% compared to the same time frame in 2003. Total passenger volume for 2003 was 863,645, an increase of approximately 24,000 from 2002.

Financial Outlook - 2005

Total **revenues** from the Airport operation are projected to be **\$8.9 million**, an increase of \$393,400 from 2004. Landing fee revenues are projected to decrease by \$106,900, terminal fees to remain even and policing revenues to increase by \$239,000. Airport Improvement Fee revenues are expected to increase by \$121,500 while vehicle parking and land rentals are increasing by \$140,000.

The total **Capital Expenditure Program** for the Airport is **\$2.7 million** with major projects budgeted as follows:

Upgrade Water Supply	\$1,500,000
Sewer to North End	\$250,000
Air Terminal Building Rehab	\$250,000
Replace Old terminal Building	\$100,000



Kelowna Lacrosse Team - 1911

CITY OF KELOWNA **2004 ACCOMPLISHMENTS**

General

A number of large development applications raised public interest leading to high volumes of correspondence, lengthy Council meetings and extended Public Hearings. Council meetings and Public Hearings scheduled to the end of the year total 128, compared with 118 in 2003.

Citizens Survey

The 2004 Citizens Survey again demonstrated a high level of satisfaction with the current level of services and taxation. While the percentage of respondents indicating they wished Council to maintain current levels of services and taxes *dropped* this year (from 75% to 69%), it is interesting to note that there was a corresponding increase in the percentage of those who would prefer to see an improvement in levels of service and an increase in taxes (13% to 17%). The survey also indicated a very high overall satisfaction rate for the level and quality of services provided by the City, 94%.

When faced with the choice of cutting services or increasing taxes, 58% of respondents indicated their preference for a taxation increase echoing a similar feeling province-wide. Satisfaction with staff customer service has risen steadily from 78% in 2000 to 87% in 2004. Conducted annually, the survey is thoroughly reviewed by management and is used as a basis for budgetary submissions for the following year's programs and services.

Communications

News releases continue to be a cost-effective and efficient means of communicating with the public; 129 releases were issued in the first nine months of the year (109 in 2003) fostering significant media coverage. Bulletins and brochures were also prepared throughout the year including a Transportation newsletter and the annual Taxes and Expenditures brochure.

Improvements to the City's website in 2004 included the addition of a "Bidding Opportunities" section where tender documents can be downloaded on-line. Communications and Information Services staff continued to work with a consultant on a new website design and content management software; plans call for a roll-out late in the year. The Citizen Survey showed increasing interest in the site; 37% of respondents indicated they have visited the City's site compared with 33% in the previous two years. In addition the "ask" e-mail line receives approximately 75 messages on a weekly basis; these queries are either handled directly by reception staff or forwarded to the appropriate departments for response.

Kelowna ranked number one among B.C. municipalities for workplace safety achieving a 41.4% merit rating with the Workers' Compensation Board, the highest merit rating for 2004.

Kelowna continues to be one of the fastest growing municipalities in British Columbia. For the first eight months of the year, permits for new housing units were issued at a rate more than double the average for the same time period in the previous five years.

Community Involvement

The City continues to foster community involvement in many areas through the National Commuter Challenge, Partners in Parks, Adopt-A-Road, Adopt-A-Stream and Communities in Bloom programs. Partners in Parks projects totalled 12 and included playgrounds, tree planting and fence building. Sixty-two volunteer groups are responsible for litter clean-up along 128 km. of roadway; 21 groups have adopted a total of 6,905 meters of stream bank and 14,000 sq. meters of wildlife sanctuary.

The safety and security of our citizens continues to be a primary focus. The criminal transient population has had an impact on both police and bylaw enforcement staff, with complaint volumes outstripping those seen in previous years. Bylaw Officers have devoted 500% more time to this issue this year than last, and RCMP calls are up 25%.

A community-based Four Pillars Coalition has been struck in an effort to find a solution to this societal problem through prevention, treatment, enforcement and harm reduction.

While survey results indicate a continuing decline in the number of residents who consider Kelowna has adequate policing (from 81% in 2001 to 69% in 2004), fully 89% of respondents feel Kelowna remains a safe community.

In cooperation with the RCMP, the community safety camera on Lawrence Avenue downtown was in operation for a one year trial; the study was designed to gather crime statistics before and after placement. The Glenmore Community Policing Office (CPO) opened in May, joining the CPO's already running in Rutland and the Mission. More than 50 volunteers work out of the office to help maintain the RCMP's core community policing and crime prevention programs.

A corporate training needs analysis will be conducted prior to the end of 2004 to guide the corporation forward into 2005 and beyond.

Airport

A number of projects were undertaken in 2004 including an expansion to the economy parking lot (an additional 325 stalls), a state of the art in-line baggage screening system that is expected to be complete by April 2005 and investigations regarding the installation of a second aircraft loading bridge. Expectations are for 2004 to be the best year on record for commercial development.

Passenger volume is on the rise. This year the airport posted the busiest third quarter on record and statistics for the first quarter were up 6.5% over the first quarter of 2003, a direct result of charter flights targeting skiers from Southern Ontario and interior residents heading south.

Kelowna International is the 11th busiest airport in Canada in terms of passenger volume, and the number of arriving and departing passengers is expected to reach one million by 2011. YLW generates an estimated \$265 million annually for the provincial economy, and is responsible for providing almost 2,000 jobs. Kelowna International Airport continues to receive a high satisfaction ranking from residents, 96%.

Planning

Council adopted the 20-year Major Road Network Plan, the Generalized Future Land Use Map and Financing Strategy components of the 2020 Official Community Plan. The Strategic Plan was the focus of public meetings and a survey; the updated plan is expected to go before Council late in the fall.

Council endorsed the Secondary Suite and Two Dwelling Housing Development Guidelines to promote sensitive infill development; amendments to the Zoning Bylaw were also adopted to reduce the impact of secondary suites in accessory buildings. Council endorsed the results of a design charette to provide a blueprint for Kelowna's Cultural District, and approved a Heritage Building Tax Incentive Program to encourage the preservation and restoration of buildings listed on the City's Heritage Register.

A marketing package for the former KSS property on Richter St. and Highway 97 was issued that included several redevelopment objectives to achieve a balance of land uses.

Construction continued at a record pace. Building permits totalling over \$267 million were issued to the end of August, easily eclipsing the \$180 and \$113 million recorded to the same date in 2003 and 2002 respectively.

From January to August 2004, 1,253 permits were issued for new housing units, (not including permits for homes destroyed in the Okanagan Mountain Park Fire) more than double the average for the same time period between 1999 and 2003. Despite the fact more complex designs and more hillside locations made plan checking and inspections far more time consuming, not one complaint has been received regarding processing time since the boom began in 2001.

Funding (\$30,000) was provided to the Central Okanagan Four Pillars Coalition to address drug abuse and homelessness; the City also hosted a forum on affordable housing. Community Social Development grants totalled \$40,000 and grants to address the sexual exploitation of youth totalled \$24,000.

Parks and Leisure

The City's fuel reduction program is the largest to date, with the assistance of funding from Human Resources Development Canada. Much of the work took place in high risk areas such as Gallagher's Canyon and Dilworth Mountain; City crews focused on the removal of dangerous trees from City-owned property as a result of the Okanagan Mountain Park fire.

Other activities included an \$800,000 upgrade to Memorial Arena, the official opening of the Ben Lee Park plaza, the inaugural Life and Arts Festival and dedication of a new public art sculpture on Abbott Street, *Timeline Waterline*. A survey was conducted to determine the level of support for a new aquatic facility. Parks recorded a 15% drop in pesticide use (by volume) during 2003, in addition to a 14% drop in 2002.

The \$16.4 million Capital News Centre is nearing completion at Mission Recreation Park with two ice arenas, two multi-court sportsfields, an indoor running track, large fitness centre and a new location for the Mission branch of the Okanagan Regional Library.

Works and Utilities

More than \$2 million in drainage upgrades were completed to help minimize the risk of flooding in areas accepting drainage off the south slopes; the Okanagan Mountain Park fire of 2003 destroyed all vegetation in numerous watersheds and created hydrophobic, or water repellent, soils. A habitat rehabilitation project was also undertaken to rehabilitate local creeks impacted by the fire.

A number of significant wastewater projects occurred including the \$3 million Okaview Sanitary Sewer project where a provincial grant helped reduce the cost of providing sewer service to 252 homes, 109 of which were destroyed by last summer's fire. The two-year \$23.2 million dollar North Rutland sewer project was completed providing sewer connections to 1,659 properties. Initial construction was scheduled for late fall on a two-year project to build a new \$5.1 million trade waste treatment plant at Brandt's Creek; the plant will be fully-funded by Sun-Rype and Calona Wines.

Transportation projects included the \$4.1 million upgrade of Glenmore Road between Dallas and Glenmeadows Roads, the \$1.2 million widening of Rutland Road, micro-surfacing of 13 km. of streets and an asphalt overlay program for 4.4 km. of city streets as well as 6.6 km. of bike paths. The City of Kelowna assumed responsibility for rural roads within the city limits in May, accounting for 350 lane kilometres, bringing the City's total maintenance responsibility to 1,375 lane kilometres of roadway.

The City's Roads Task Force was created to identify solutions to accommodate traffic flows emanating from the new Okanagan Lake Bridge; a report to Council is expected in January 2005. Work continued on the Central Okanagan Smart Transit Plan to promote better integration of transit and land use planning policies; the plan is to be complete at year end.

The Water Division implemented a peak demand initiative to reduce water use, installation of the ultraviolet light system at the City's four existing pump stations is expected to begin in late fall and \$235,000 in improvements to the Steele Road/McClure booster pump stations were completed.

Environment staff implemented a comprehensive catch basin mosquito control program, the first of its kind in B.C. that included routine monitoring and treatment to minimize the potential spread of the West Nile virus. The biological control agent Bti was used bi-weekly throughout late June to mid-September to reduce the presence of mosquito larvae in approximately 6800 catch basins. The Cash for Clunkers program helped to remove 130 polluting vehicles from city streets during the first seven months of the year; the city's first *Walk and Roll Car Free Day* was held on Abbott Street in September.

A \$40,000 pilot study was completed in the spring to determine the feasibility of chipping wood waste from orchard removals as an alternative to burning. A voluntary pesticide notification registry was implemented with the cooperation of applicators; 284 registrants signed on.

As a result of the Okanagan Mountain Park fire, curb side yard waste volumes had increased by 96% at the end of June; yard waste delivered to the Glenmore Landfill more than doubled this spring. A regional program led to a ban on recyclable paper at the Glenmore Landfill; recycling depots began to collect additional household plastics used for food products such as yogurt.



Abbott Street Recreational Corridor

CITY OF KELOWNA FINANCIAL PLAN 2005 - 2009

1. 2005 BUDGET PROCESS

The budget process used by the City of Kelowna is an intensive process that requires input from many different groups including City Staff, City Council, outside agencies funded by the City and by the citizens of Kelowna through the citizen survey, various City committees and through the recommendations developed in the City's Strategic Plan.

The budget cycle is also guided by the requirements of the Community Charter as described in Section 165:

Financial Plan

- 165.** (1) A municipality must have a financial plan that is adopted annually, by bylaw, before the annual property tax bylaw is adopted.
- (2) For certainty, the financial plan may be amended by bylaw at any time.
- (3) The planning period for a financial plan is 5 years, that period being the year in which the plan is specified to come into force and the following 4 years.
- (4) The financial plan must set out the following for each year of the planning period:
- (a) the proposed expenditures by the municipality;
 - (b) the proposed funding sources;
 - (c) the proposed transfers to or between funds.
- (5) The total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year.
- (6) The proposed expenditures must set out separate amounts for each of the following as applicable:
- (a) the amount required to pay interest and principal on municipal debt;
 - (b) the amount required for capital purposes;
 - (c) the amount required for a deficiency referred to in subsection (9);
 - (d) the amount required for other municipal purposes.
- (7) The proposed funding sources must set out separate amounts for each of the following as applicable:
- (a) revenue from property value taxes;
 - (b) revenue from parcel taxes;
 - (c) revenue from fees;
 - (d) revenue from other sources;
 - (e) proceeds from borrowing, other than borrowing under section 177 [*revenue anticipation borrowing*].
- (8) The proposed transfers to or between funds must set out separate amounts for:
- (a) Each reserve fund under Division 4 of this part, and
 - (b) accumulated surplus.
- (9) If actual expenditures and transfers to other funds for a year exceed actual revenues and transfers from other funds for the year, the resulting deficiency must be included in the next year's financial plan as an expenditure in that year.

Public process for development of financial plan

- 166.** A council must undertake a process of public consultation regarding the proposed financial plan before it is adopted.

City of Kelowna Budget Process

The City currently uses a line item approach to budgeting in all departments, supplemented with program budgets in operational service oriented departments. Base budgets are subject to annual review and scrutiny to identify need in relation to approved service level requirements.

The City of Kelowna's fiscal year begins January 1 and ends December 31. The process of budgeting is essentially a year-round process. Beginning in August of each year, all department and division heads are required to prepare department goals and objectives for the upcoming budget year. This is followed by instructions for the preparation, review and analysis of the department/division budgetary requirements.

Base budget adjustments, supplemental operating budget requests and capital budget requests are reviewed by Finance and prepared for departmental reviews in October with the City Manager, Department Directors and Managers. All budget submissions are ranked by the departments in their priority order. After this review, the requests are ranked on a citywide basis and then reviewed by Senior Management. The information and budget requests are then consolidated into the Financial Plan and prepared for review by Council.

There are two ranking levels used in this financial plan for operating requests:

- 1 - the request is required to maintain the current level or standard of service, or is required to facilitate good management practices**
- 2 - the request would improve or enhance the current level of service but has been omitted from the budget totals in order to present an acceptable level of general tax demand/utility user rate.**

The priority '1' requests **are included** in the department totals but the priority '2' requests **are not included**. The priority of each individual operating request is included in the bottom right-hand corner. Operating requests show three year financial impacts and are marked as onetime or ongoing. Changes in years 2 or 3 of ongoing requests are made directly to the base in future years.

Capital requests are just marked as priority 1 or 2 as there are no ongoing capital requests. Multi-year capital projects may be budgeted in their entirety or in phases as they may be built.

Projects that could not be completed in the previous year (carry-overs) are forwarded for Council review in March after accounts are finalized at year-end. Final adjustments to the Financial Plan, including requisition amounts from other taxing jurisdictions, are forwarded for Council review in early May. The Financial Plan and appropriate Tax Rate By-Laws are then adopted by May 15.

Budget Transfers and Amendments

As per section 165.(2) of the Local Government Act, the financial plan may be amended by bylaw at any time. There are two bylaw amendments planned; the first in October for changes to the financial plan to the end of September and the second in April of 2006 for all 2005 year-end requirements. Corporate policies 261 & 262 cover the budget transfer and amendment procedures. A formal policy is in place to ensure that the City's overall internal control objectives are maintained and that there are no material changes to the original budget approved by Council.

Budget transfers involve the re-allocation of existing approved budget and do not change the overall budget total. Operating budget transfers in excess of \$50,000 and capital transfers greater than \$10,000 must be approved by the City Manager. Council approval is required to cancel an approved project or to add a new capital project greater than \$15,000. Budget amendments do increase the City's budget total and must be approved by Council prior to entry.

2005 Budget Calendar & Responsibilities

Description	Resp.	Required Date
1. Establish guidelines for percentage changes applicable to salaries, wages, materials, etc.	A	Aug. 9/04
2. Determine appropriate base budget impacts based on 2004 financial plan and contractual changes for 2005.	A	Aug. 23/04
3. Distribute budget guidelines and forms for modification of department goal, accomplishments and plans.	A	Aug. 27/04
4. Develop base budget in detail (B-2's)	D	Oct.1/04
5. Update budget goals, accomplishments and plans. Develop performance measures by Departments.	D	Oct.1/04
6. Develop supplemental requests, expenditure reductions, capital budget and consolidated ranking of requests.	D	Oct.1/04
7. Establish overall City priorities for the 2005 budget year from discussions with and recommendations by the City Manager and Department Heads.	C	Oct. 6/04
8. City Manager review and prioritize capital requests, supplementals and expenditure reductions.	A	Oct.29/04
9. City Manager overall review and prepare recommendation for Council.	A	Nov. 10/04
10. Distribute budget package to Council.	A	Dec. 10/04
11. Annual budget overview to Council.	A	Dec. 13/04
12. Council review and adoption of 2005 financial plan.	C	Dec. 16/04
13. Council review and adoption of carry-over budget projects.	C	Mar. 21/05
14. Council review and adoption of 5 year financial plan and final budget requests.	C	May 2/05
15. Council review and adoption of financial plan amendment number 1.	C	Oct. 17/05

Responsibility Code = A - Administration, C - Council, D - Department

2. 2005 BUDGET DEVELOPMENT

A focus of the Financial Plan is to maintain an acceptable level of service within budgetary constraints. Several previous plans have been used as the basis for the development of the Financial Plan. These include: City of Kelowna Strategic Plan, The Official Community Plan, the 20 Year Servicing Plan and Financing Strategy and the 10 Year Capital Plan.

The 1999/2000 *Strategic Plan* provided the Corporate Vision, Mission Statement and Performance Goals that address the City's long term concerns and policies.

VISION OF THE CORPORATION OF THE CITY OF KELOWNA

We will meet the challenges and opportunities of our community through innovation, creativity, and flexibility

MISSION OF THE CORPORATION OF THE CITY OF KELOWNA

Our Corporation is a diverse team of talented and dedicated people striving collectively to provide leadership and services to build a healthy, safe, and vibrant community

LONG-TERM PERFORMANCE GOALS FOR THE CORPORATION



The seven performance goals are described in more detail below:

FINANCE

To ensure a fair balance between taxation, other revenue, and control of expenditure in order to have sufficient resources for our ongoing services, our capital expenditures and our financial reserves.

HUMAN RESOURCES

To retain, develop, and attract appropriate staff, volunteers and elected officials who are committed to our Vision and Mission.

PRODUCTS AND SERVICES

To offer high quality relevant programs and services that wisely use available resources in order to meet the challenges and opportunities of our community.

IMAGE

To be respected and valued by our community.

PARTNERSHIPS

To identify and develop partnerships that improves our community.

FACILITIES / EQUIPMENT / TECHNOLOGY

To provide appropriate technology, spaces and places to support our programs, services, staff, and volunteers.

RESEARCH AND DEVELOPMENT

To continuously seek improvements in corporate performance and to monitor key community and external indicators that may influence future operations.

Within each department there are current year strategic objectives that link back to the Strategic Plan through one of these seven long-term performance goals. Budget submissions and work plans for 2005 must relate to achieving these goals.

FINANCIAL POLICIES & STRATEGIES

There are various policies adopted by Council or long standing principles that have guided the City of Kelowna in the past that are used in the preparation of the financial plan.

FINANCIAL PLANNING POLICIES

1. **Balanced Budget** - The financial plan is developed for the City of Kelowna to operate within its means. Each department is expected to operate within the limits of the financial resources identified, maintaining a balanced budget for the year. The Utility Funds will have planned deficits some years based on large capital projects in that year. When over-expenditures are known the department must first investigate transfer of budget from other sources within their area. Use of surplus or reserve accounts is available under special circumstances to cover budget shortfalls.
2. **Long Range Planning** – The Community Charter mandates that a 5 Year Financial Plan is prepared. The plan contains current year operating and capital costs along with projected future costs. It includes estimated operating costs and revenues of future capital improvements. The plan is adopted by bylaw in May after Final Budget requests are considered by Council. 10 Year Capital Plan and 10 year utility models are prepared that provide details for the overall Financial Plan. The 20 Year Servicing Plan and Financing Strategy also provides capital details for the 10 year capital plans. Development cost charge rates are based on the requirements of the 20 Year Servicing Plan. 10 year models are developed for the utilities to ensure that rates and fees are set at a level that allows the funds to be self supporting (without taxation assistance). There is a strong link between the various plans as they flow from the future right into the current year requirements.
3. **Asset Inventory** – Civic facilities are reviewed on an annual basis to determine the requirements for maintaining the asset. Funding is placed in a Building Repair Reserve each year and maintenance projects are then funded from the reserve. The amount placed into reserve is reviewed annually to ensure it is adequate to address the facilities requirements.
A portion of the road network is assessed each year under the Pavement Management Program. The condition assessment is updated and a listing of priority road improvements for the next five years is

prepared. Works are coordinated with the various utilities to provide the most cost effective service with the least disruption on the community.

Water, wastewater and storm drainage systems are reviewed annually to determine the priority for replacement of the older infrastructure.

REVENUE AND EXPENDITURE POLICIES

1. Revenue – A diversity of revenue sources is encouraged and appropriate recovery levels should be established for municipal services. The level of community resources that the City dedicates toward municipal services should be directly related to the extent of benefit to the community and the City's ability to pay. Higher rates of cost recovery for certain services will be achieved by charging fair market value for services when it is appropriate to do so and by using prudent cost control measures. Fees and charges should be reviewed annually for the level of cost recovery and reasons for not recovering full costs should be identified and explained.

One time revenues should not be used for ongoing costs except in the case of start up costs for a new program. These programs should be carefully reviewed and justified through the budget process.

2. Expenditure – Regular monthly and annual financial reports are prepared that compare the actual revenues and expenditures to budgeted amounts. These reports are distributed to management at various times of the year. Budget must be in place for all expenditures at the Division level for operating costs and at the program level for capital projects. An expenditure may be made for an emergency that was not contemplated in the financial plan but the plan must be amended, as soon as practical, to include the expenditure and the funding source.
3. Debt – Debt will not be used to fund current operating expenses. For capital improvements the repayment period shall not exceed the reasonable life expectancy of the asset. The maximum debt servicing should not exceed 5% of annual tax demand and cannot exceed debt servicing limits established by the Province.
4. Reserves – The City will maintain a surplus account within the general fund of 5% of the previous year's taxation requirement to assist with the expenses of unforeseen emergencies and to ensure a continued strong financial position. Additional reserve accounts should be maintained for revenue and expenditure stabilization including reserves for snow removal, street cleaning, flood control, insurance deductible and permit revenue averaging. Under expenditures in these areas should be placed into reserve at year end and over expenditures should be funded from the reserve to avoid the requirement to reduce service levels or raise taxes/fees for a temporary issue. Other reserves should be established to provide for the requirements of the City's 10 Year Capital Plan.
5. Surplus Allocation – Any surplus generated in a year will be allocated to reserves as recommended by the City's Audit Committee. Consideration to be given to the requirements identified in the 10 Year Capital Plan, the area where the surplus was generated, future capital requirements or to offset funding shortfalls from other anticipated funding sources.

INVESTMENT AND CASH MANAGEMENT POLICIES

1. The City will maintain sufficient short term liquid assets to enable it to meet its annual operating budget as required. Due to the uncertain nature of future expenses, the portfolio will focus on high quality, liquid securities. The goal is to maximize the investment return on the fund, while ensuring that the liquidity, quality and diversification requirements are satisfied. The primary performance objective is to achieve a rate of return over moving three year periods of 1.5% over the Canada Consumer Price Index for All Items. Additionally, the fund's performance should match or exceed the Municipal Finance Authority of BC Intermediate Fund and Money Market Fund for the same period. Permitted investments in the fund are eligible securities defined in Section 183 of the Community Charter and investments in internally financed City of Kelowna projects. All securities held in the portfolio shall have a maturity of 10 years or less and the total portfolio shall have an average quality rating of at least AA. Bonds held by the fund will be diversified by sector with limits on the maximum exposure to bonds of a single province (20%), bonds of a single corporate entity (5%) and for all internally financed projects (30%) of the total fund in aggregate market value. Funds shall not be borrowed to acquire securities or otherwise deal in margin trading. Reports on the funds performance will be provided at a minimum of quarterly to the Audit Committee and annually to City Council.

In March of 1996, senior city staff and Council participated in a corporate strategy workshop. There were ten major corporate strategies identified and discussed which provided direction for the **10 Year Capital Plan** and thus for the capital component of the current Financial Plan. These strategies were updated with Council in 2003 and complement the policies shown earlier.

- **Park Acquisition Strategy** - this plan provides for the park land acquisition standard of 2.2 hectares per thousand of population and the acquisition of natural space by means other than cash outlay.
- **Parks Development Strategy** - parks development costs will be a function of the capital allocation deemed reasonable annually and are to be shared by the community rather than through increased development cost charge fees.
- **Waterfront Amenities Strategy** - an annual allocation is provided for some waterfront land acquisitions but the emphasis is on private enterprise or community contributions to develop other amenities.
- **Major Recreational Facilities Strategy** - major recreational/cultural facilities are budgeted with substantial emphasis on funding from PPP's, public sector partnering and other contributions. Pay-as-you-go capital and reserve funding will be required to minimize long-term debt financing.
- **Civic Buildings Strategy** – buildings will be planned and constructed as required, subject to funding availability, with a focus on Public Private Partnerships in the development of these future civic buildings.
- **Pavement Management Strategy** - annual general revenue contributions are to increase from the baseline of \$1.9 Million over the ten year program to achieve an overall roads condition of 73 out of 100.
- **Storm Drainage Retrofit Strategy** - annual general revenue contribution of \$1.6 million to this program over the ten year plan.
- **Generation/Disposition of Surplus Strategy** - \$1,000,000 is to be allocated to reserves each year from annual surplus in order to mitigate the need for abnormal tax increases or incurring of new debt and to provide for capital expenditure opportunities which might otherwise require a counter petition and/or referendum process.
- **Capital Pay-As-You-Go Strategy** - 50% of new construction taxation revenue each year is to be allocated to capital, increasing the percentage of capital to Municipal Taxation to a maximum of 30%.
- **Debt Management Strategy** - the existing strategy of using alternative funding for discretionary expenditures, capitalizing on debt reduction opportunities and using short term borrowing and agreements for sale has been maintained. Maximum debt servicing should not exceed 5% of annual taxation demand.

CURRENT YEAR GOALS

Current year goals are outlined in the City Manager's memorandum and are also detailed in the individual departments throughout this document.

PERFORMANCE MEASUREMENT

The City of Kelowna has embarked on a corporate-wide performance measurement program for integration into the annual Financial Plan and Annual Report. The Province of British Columbia has mandated the requirement under the *Community Charter* for reporting with annual objectives and measures. Performance measurement is a process for determining how a program is accomplishing its mission through the delivery of products, services or processes. It is government's way of determining if it is providing a quality product at a reasonable cost. For City staff performance measurement is a process for continuous improvement.

Performance measurement is an ongoing program being developed in multiple phases. It is an evolutionary process that will improve with experience. A complete and effective system of performance measurement will require years of consistent, incremental work to achieve.

Phase 1

The first phase of the initiative began in the fall of 2003 and included the following:

- Statement of purpose and objectives of program
- Development of project deliverables
- Corporate management team workshops
- Selection of performance measurement categories:
 - Outputs (Activity levels)
 - Outcome (Results)
 - Process Efficiency (Productivity)
 - Customer Service
 - Innovation & Learning
- Development of a policy, procedures and templates
- Completion of a corporate annual plan for 2004 with select objectives inclusive of performance indicators
- Completion of departmental annual work plans for 2004 with select objectives inclusive of performance indicators

The performance measurement program will, at all times, strive for consistency with the City's Corporate Strategic Plan.

Phase 2

Phase 2 of the program was undertaken in 2004 and expands the development of performance measures throughout all City departments. While some training was completed in 2003, reinforcement of performance measurement concepts and the selection of performance indicators was completed for integration into the 2005 Financial Plan.

The reporting on corporate performance measures developed as part of the financial planning process for 2004 will be included in the City of Kelowna Annual Report. This report is to be provided to City Council by June 15, 2005 and presented to a public forum, in accordance with the provisions of the provincial government's Community Charter, by June 20, 2005.

The 2005 format of the performance measures expands on the initial phase. **Within each department** there are current year strategic objectives that are directly linked to the seven long term performance goals of the Corporation. These relate to project type works that are planned for 2005.

Following a description of the various Division functions, there is a performance measurement section that deals with the ongoing programs in each area, measured on a three year basis. The format builds on the performance measurement categories established in 2003. These categories will be described in further detail:

Program Input Measures – addresses the question of what amount of resources are needed to provide a particular program or service. These are being measured by the net operating budget requirements.

Program Outputs –define the activities or units of service provided, measure quantity of service.

Program Outcomes – focus on results to determine if the service is meeting its proposed goals. They consider the quality or effectiveness of public programs.

Efficiency Measures – measure the cost per unit of output or outcome. Used to determine productivity trends and provide an indication of the cost effectiveness of a program. These can be expressed as ratios of outputs or outcomes to inputs.

Customer Satisfaction – based on feedback received from City customers, typically relate to customer satisfaction surveys or complaint receipt.

Innovation and Learning – to encourage continuous improvement through learning, targeting knowledge and skills as a long term investment.

It is important to strive for a balance of measures for each program area. Measures are to be meaningful and significant and relate directly to the City's mission and goals.



CP railcars being moved and connected by teams of horses. Ca. 1917

3. BUDGET DOCUMENT FORMAT

The Financial Plan can be considered in three main sections:

1. General Revenues
2. Operating Budgets
3. Capital Budgets

General revenues are those revenues that are not specifically attributable to or generated by any particular department within the City of Kelowna reporting structure. There is one group of General Revenue requests at the end of the 'Summary' section.

Department operating budgets represent the total cost of operation offset by any direct revenues recognized in each department through user fees, provincial contributions or reserve funds.

Capital budgets are summarized by department and funding source. A funding source of general taxation is also referred to as pay-as-you-go capital.

Within the operating and capital budgets there is a further breakdown between the General Fund (taxation impact) and the Utility Funds. The City of Kelowna operates three major utilities providing **water**, **wastewater** and **electrical** service. The ongoing operation of these utilities is funded entirely by user rates in the form of annual parcel taxes and/or monthly user fees. There is also a **natural gas** utility obtained by a capital lease of the gas distribution system and offset by revenues received from an operating lease back of the system. The **Airport** operates similar to a utility and is currently funded by user fees for ongoing operations, maintenance and capital improvements.

An example of the City structure under the General Fund is:

Department:	Parks and Leisure Services
Division:	Civic Properties
Dept Id:	Operational Buildings

The 2005 Financial Plan requirements are summarized on page B1. Just after that summary are the three year details for general revenues, net operating expenditures and taxation capital expenditures. These provide a historical perspective to the current year submissions.

The background details for the three year 'historical' summary sheets are included directly with the department information. Under the various 'Department' tabs there is a summary sheet that provides a Department Overview. Following an organizational chart are the Department Goals and Strategic Objectives for the upcoming year. Next is some narrative describing the major sections of that division including performance measurement data. That is followed by three years of financial information showing revenues and expenditures by category and including capital expenditures to provide the total taxation impact of that division. New for 2005 is a summary page highlighting the changes to the base operating budget for that area.

Next will be the 2005 operating budget information beginning with a blue summary sheet and followed by the detailed operating 'supplemental' requests. These operating requests contain a description, justification and the three year impact of the request. Some divisions may also have pink expenditure reduction sheets where the budget is being reduced.

For those divisions that have a capital program, the next page will be a yellow summary sheet that indicates the 2005 capital requests by priority 1 (included in the budget totals) and priority 2 (not included in the budget totals). The number on the left side of the summary page indicates the detail number when locating specific projects. The funding source for each project is indicated on the right side of the summary page. The detailed requests are in chartfield order by priority 1 and then priority 2.

4. MUNICIPAL FUNDS

The City's resources and operations are separated into various funds. Each fund is a separate fiscal and accounting entity organized by their intended purpose. They are segregated to comply with finance related legal and contractual provisions. The following funds are used for accounting and financial reporting purposes:

- ◆ General Fund - operating & capital funds
- ◆ Water Fund - operating & capital funds
- ◆ Wastewater Fund - operating & capital funds
- ◆ Electrical Fund - operating & capital funds
- ◆ Airport Fund - operating & capital funds
- ◆ Natural Gas Fund - operating & capital funds
- ◆ Library Fund – operating fund

Revenues used for projects in these funds may also come from the City's Statutory Reserve Funds:

- ❖ Land Sales Reserve Fund
- ❖ DCC Reserve Fund
- ❖ Parking Reserve Fund
- ❖ Capital Works, Machinery and Equipment Reserve Fund

The use of these funds is restricted by the *Community Charter* and associated municipal bylaws.

General Fund

The General Fund is the largest fund and covers all municipal operations aside from the utilities and airport funds. This fund is not allowed to operate at a deficit. The difference between annual expenditures and other revenues generated by the fund forms the annual property tax levy.

Water Fund

This fund provides for the operation of a water utility within specific areas of the City not served by water districts. Revenues within this fund, or prior years' surplus, must be sufficient to cover all operating and capital costs of this utility on an annual basis.

Wastewater Fund

This fund carries out the capital construction, operation and maintenance of wastewater treatment including sewer mains, lift stations and treatment facilities. Revenues generated in this fund, or prior years' surplus, must be sufficient to offset all operating and capital costs of this utility on an annual basis.

Electrical Fund

This fund operates the electrical utility within a designated area of Kelowna not directly serviced by Fortis BC (electrical utility company). Revenues generated in this fund, or prior years' surplus, must be sufficient to offset all operating and capital costs of the utility. A portion of excess revenues from the Electrical Fund are contributed to the General Fund on an annual basis.

Airport Fund

This fund operates the Kelowna International Airport and is responsible for capital construction and ongoing administration, operation and maintenance. This fund is required to be self-sufficient so that revenues generated must offset all operating and capital expenditures.

Natural Gas Fund

This fund provides for the costs of the capital lease of the gas distribution system and the revenues generated from the operating lease-back. This fund is required to be self-sufficient so that revenues generated must offset all operating and capital expenditures.

Library Fund

The Library Fund was created to facilitate the borrowing and repayment of the Ellis Street Branch mortgage. In March of 1997 the society acquired the land and newly constructed building from the City and borrowed \$5,100,000 to finance the unfunded portion of the acquisition. The Library Society will transfer to the City's General Fund the land and building at the retirement of the debt for a nominal amount in 2017.

Land Sales Reserve Fund

The Land Sales Reserve Fund was established in accordance with Provincial Legislation. Sales proceeds from all properties disposed of by the City are required to be placed in this reserve fund. Council may, by bylaw, use this fund to purchase land for general municipal or utility purposes.

DCC Reserve Fund

The Development Cost Charge Reserve Fund was established to provide funding for required expansion of roads, drainage works, water works, sewer works, parkland acquisition and wastewater treatment facilities resulting from new development. Monies collected may only be used for the specific purpose and in the specific area for which the funds were collected. The financial plan budget for the use of these funds will be reflected in the appropriate fund.

Parking Reserve Fund

The Parking Reserve Fund was established to provide funds to purchase land for parking lots, develop on-street parking and to construct parking lots or parkades. The General Fund appropriates net revenues from the operations of parking lots, parkades and parking meters to the Parking Reserve Fund. Both the revenues and expenditures relating to the collection and use of these funds will be found in the General Fund Financial Plan.

Capital Works, Machinery and Equipment Reserve Fund

This reserve was established by the City to provide funds for such items as the purchase of replacement equipment, retirement of capital debt and replacement of cemetery property. Revenue for this reserve is provided from various sources within the General and Utilities Funds. The estimated amounts of the revenue to be transferred may be found in the General or Utilities Funds Financial Plans along with the budgeted use of these funds.

The City of Kelowna also maintains reserves for future expenditures. These are non-statutory reserves (**reserve funds** are 'statutory' reserves) which represent an appropriation of surplus for specific purposes. In the financial plan the use of these reserves is shown under 'Accumulated Surplus' for either revenues or expenditures.



Waterfront Park

5. RESERVES AND FUND EQUITY

The City of Kelowna maintains reserves and fund equity in order to protect the current and future financial viability of the municipality. Proper reserve management recognizes the need to stabilize taxation and utility rates, and to prevent large annual fluctuations as a result of capital expenditure requirements.

The following are audited reserve and fund equity balances at December 31, 2003 and projected balances to the end of 2005. The projected balance to the end of 2004 assumes all 2004 budgeted expenditures will be completed and funded.

	Balance Dec. 31/03	Proj'd Balance Dec. 31/04	Proj'd Balance Dec. 31/05
<u>General Fund</u>			
Surplus	3,113,459	3,113,459	3,113,459
Statutory & DCC Reserve Funds	51,388,865	45,381,070	47,179,147
Reserves for Future Expenditures	<u>49,503,753</u>	<u>26,336,979</u>	<u>24,657,026</u>
	104,006,077	74,831,508	74,949,632
<u>Water Fund</u>			
Surplus	2,549,138	1,827,080	863,222
Statutory & DCC Reserve Funds	8,228,541	5,779,961	6,753,268
Reserves for Future Expenditures	<u>2,862,451</u>	<u>1,330,132</u>	<u>1,636,222</u>
	13,640,130	8,937,172	9,252,711
<u>Wastewater Fund</u>			
Surplus	8,555,271	6,148,555	7,313,870
Statutory & DCC Reserve Funds	9,974,643	9,245,124	11,443,117
Reserves for Future Expenditures	<u>2,366,776</u>	<u>1,760,063</u>	<u>1,971,773</u>
	20,896,689	17,153,742	20,728,760
<u>Electrical Fund</u>			
Surplus	8,878,439	9,935,973	10,260,321
Reserves for Future Expenditures	<u>3,019,675</u>	<u>1,968,072</u>	<u>1,997,072</u>
	11,898,114	11,904,045	12,257,393
<u>Airport Fund</u>			
Surplus / (Deficit)	(5,432,157)	(4,828,229)	(2,948,207)
Reserves for Future Expenditures	<u>6,604,904</u>	<u>5,970,015</u>	<u>5,125,303</u>
	1,172,747	1,141,786	2,177,096
<u>Natural Gas Fund</u>			
Surplus	2,136,561	3,229,296	4,237,613
<u>Library Fund</u>			
Surplus	165,878	165,878	165,878
Total Reserves & Surplus	153,916,196	117,363,427	123,769,084

The Airport deficit position is due to the planned temporary use of reserve accounts to finance the Airport Improvement Fee (AIF) projects. Revenues from the fees collected are used to repay the reserve accounts.

Note: Some of the reserve balances include a receivable portion that is not available for use at December 31, 2004.

The impact of the 2005 general and utility fund supplementals and capital requests on the reserve balances in terms of contributions to, and expenditures from reserve, are highlighted on the following schedule. Borrowing of \$11.0 million for the Mission Recreation Park facility has been delayed and is being internally financed from the general reserve balance. This shows as a budgeted expenditure, creating a negative balance in the Misc. Recreation Facilities reserve section. The Multipurpose Facility Investment reserves contain the funds committed by the City for investment into the downtown multi-purpose facility (Prospera Place).

RESERVES AND SURPLUS SUMMARY					
Description	Balance Dec. 31,2003	Proj Balance Dec. 31,2004	Budget Expend	Contribution to Resv	Proj Balance Dec. 31,2005
General Reserves & Surplus					
Surplus	3,113,459	3,113,459	0	0	3,113,459
Planning Initiatives - Corporate	1,262,777	1,127,502	127,913	123,160	1,122,749
Major Facilities	5,139,964	3,934,995	581,100	579,129	3,933,024
Misc. Recreation Facilities	(3,924,380)	(9,968,528)	33,660	544,150	(9,458,038)
Park Purch/Dev't/Other Land	4,425,876	1,910,149	792,500	493,027	1,610,676
Upgrades/Maint. Existing Assets	2,940,116	1,663,166	615,050	813,290	1,861,406
Operating Exp. Equalization	2,633,202	2,483,441	644,583	674,738	2,513,596
Operating Rev. Equalization	3,172,614	3,517,555	58,500	405,760	3,864,815
Transportation & Drainage Cap.	19,230,131	12,579,742	2,812,170	383,290	10,150,862
Debt Equalization Reserve	846,347	777,616	78,000	34,599	734,215
Multipurpose Facility Investment	6,908,805	7,046,981	0	140,940	7,187,920
Unspent Budget Reserve	6,868,303	1,264,362	128,560	0	1,135,802
Sub-Total	52,617,212	29,450,438	5,872,036	4,192,083	27,770,485
Statutory (CWME, Land, Pkg)	32,992,791	30,450,946	6,657,708	6,570,822	30,364,059
DCC Reserves	36,599,258	29,955,209	9,858,313	14,914,577	35,011,473
Water Utility Res/Surplus	5,411,590	3,157,212	963,858	306,090	2,499,444
Sewer Utility Res/Surplus	10,922,046	7,908,618	20,000	1,397,025	9,285,643
Electrical Utility Res/Surplus	11,898,114	11,904,045	0	353,348	12,257,393
Airport Res/Surplus	1,172,747	1,141,786	3,020,600	4,055,910	2,177,096
Natural Gas Surplus	2,136,561	3,229,296	0	1,008,317	4,237,613
Library Society Surplus	165,878	165,878	0	0	165,878
Total	153,916,196	117,363,427	26,392,515	32,798,171	123,769,084

6. BASIS OF ACCOUNTING / BUDGETING

The **basis of accounting** refers to when revenues and expenditures are recognized (recorded) in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The focus within the budget process is that all interfund transactions are budgeted but in the financial statements all material interfund entries are eliminated in preparation of the consolidated financial statements.

City of Kelowna revenues and expenditures are recognized on a modified accrual basis of accounting. Revenues and related accounts receivable are recognized in the accounting period in which they become earned and measurable.

- expenditures are recognized in the accounting period in which the liability is incurred
- inventory is valued at the lower of cost or replacement cost
- temporary investments are recorded at cost
- capital assets are valued at cost and are not depreciated, they are written off when disposed
- no provision is made for amortization

The **basis of budgeting** is also on the modified accrual basis. The acquisition of capital assets and the repayment of long term debt are considered as expenditures in Municipal Fund Accounting and are required to be included in the financial plan. Revenues are budgeted in the year they become measurable and available to finance expenditures. Proceeds from borrowing are considered to be revenues. Proceeds from the sale of assets are considered to be revenues and the related gain or loss is not.



City Hall

7. DEBT MANAGEMENT

The City of Kelowna has various options available to obtain, through borrowing, funds necessary to acquire assets. The following section describes each borrowing option, the City's legal limits, and the estimated outstanding debt balances at December 31, 2004.

Under the *Community Charter* (C.C.) legislation that became effective on January 1, 2004, there is a new method of determining a municipality's borrowing limit. The provincial regulations establish a limit based on the cost of servicing the aggregate liabilities of the municipality. The cost of servicing the liabilities cannot exceed 25% of the total revenues for the previous year (excluding revenue received for another taxing jurisdiction, tax sharing revenues paid to another municipality, revenue from the disposition of assets, Federal or conditional grants such as water/sewer infrastructure grants and Municipal Finance Authority actuarial adjustments).

Long Term Debenture (C.C. Section 174 & 179)

Long Term Debenture borrowing involves the repayment of both principal and interest over a period not to exceed 30 years. The City of Kelowna has undertaken to limit the term on long term borrowing to 15 years wherever possible. Debenture borrowing for most long-term needs requires the assent of electors through an alternative approval process and/or the passing of a referendum.

The outstanding debenture borrowing for all funds is:

	<u>2002 Balance</u>	<u>2003 Balance</u>	<u>2004 Balance</u>
General Capital Fund	\$11,447,000	\$10,665,000	\$10,105,000
Water Utility Capital Fund	3,054,000	2,670,000	2,432,000
Wastewater Utility Capital Fund	17,270,000	14,613,000	13,659,000
Natural Gas Utility Capital Fund	50,092,000	48,275,000	46,576,000
Library Fund	<u>4,411,000</u>	<u>4,250,000</u>	<u>4,074,000</u>
Total Debenture Debt	\$86,274,000	\$80,473,000	\$76,846,000

The 2005 total debenture debt repayment amount is **\$9,814,000**.

Liabilities Beyond the Current Year (C.C. Section 175)

Under an agreement, Council may incur a liability payable after the current year as long as it is not a debenture debt and the liability does not exceed the life expectancy of the activity. If the agreement is for longer than 5 years, or contains a right of renewal that could exceed 5 years, an alternative approval process must be provided. This borrowing method is used by the City of Kelowna to secure the purchase of land from a vendor.

There is currently one 'no interest' agreement in place that requires payment of \$50,000 per year in January of 2004, 2005 and 2006.

	<u>2002 Balance</u>	<u>2003 Balance</u>	<u>2004 Balance</u>
General Fund Agreements	\$0	\$150,000	\$100,000

Short Term Borrowing (C.C. Section 178)

Short Term Borrowing is used to undertake capital works programs and must be repaid over a period not to exceed 5 years. The City of Kelowna's short term borrowing legal capacity is approximately \$5.1 million based on \$50 per capita and a 2004 population estimate of 103,000. The City uses this borrowing method for the upgrade or construction of facilities and the purchase and development of parks. There was no short term borrowing used in the last three years.

Revenue Anticipation Borrowing (C.C. Section 177)

Operating loans may be required to meet current expenditures pending receipt of taxation revenue. This most often occurs in the few months prior to the annual July due date for tax payment and is repaid on June 30. To transact operating loans, a Revenue Anticipation Borrowing By-Law must be approved by Council and is limited to 75% of taxes due in the preceding year. The City of Kelowna had no operating loans outstanding at December 31, 2004.

Loan Guarantees & Commitments (C.C. Section 179)

The City of Kelowna has loan guarantees in place for the Kelowna Family Y Centre (\$1.5 million) and the Rotary Centre for the Arts (\$1.1 million). There is also a commitment to R.G Arenas (Kelowna) Ltd. to purchase community use time in the multi-purpose facility until the year 2029. A payment of \$13.2 million would be required to terminate the community use agreement.

Internal Financing

The City of Kelowna borrows funds from its own general reserves with repayment of principal and interest in order to finance capital projects. This may relate to projects that are pending debenture issues and require interim financing or to projects that make use of reserve funds not required in the near future. There is no statutory limit to this borrowing as it is offset by existing reserve balances. It is an effective financing tool, especially when investment interest is low. There are currently four capital programs that are being internally financed and their estimated balances at the end of 2004 are:

- Airport AIF Program - \$7,700,000
- Water Management Program - \$2,251,000
- Promontory Green Cemetery Expansion - \$741,000
- Mission Recreation Park Facilities - \$8,768,000

The total debt servicing cost payable in 2005 is \$9.9 million but including loan guarantees the municipal liability is \$11.4 million. Based on 25% of estimated 2004 revenues the limit on the annual cost of servicing for 2005 is \$43.0 million. Using current Municipal Finance Authority lending rates and a 15 year term the unused borrowing capacity for 2005 is approximately **\$318 million**.

Further detailed debt repayment information for 2005 and future years is illustrated on the next three pages.

GENERAL TAXATION

2005 DEBT CHARGES ANALYSIS

DEBT - GENERAL

**2004
FINANCIAL PLAN**

**2005
FINANCIAL PLAN**

DEBENTURES

Local Improvements - MFA 40	72,047		0	
Local Improvements - MFA 43	122,944		122,944	
Local Improvements - MFA 47	5,190		5,190	
Local Improvements - MFA 48	82,467		82,467	
Local Improvements - MFA 50	94,198		94,198	
Local Improvements - MFA 51	7,834		7,834	
Local Improvements - MFA 59	71,076		45,466	
Local Improvements - MFA 63	42,299		42,299	
Local Improvements - MFA 64	28,098		28,098	
Local Improvements - MFA 66	4,833		4,833	
Local Improvements - MFA 70	5,869		5,869	
South Pandosy Spec Area 1 & 2 - MFA 71	58,044		58,044	
Parks Land Acquisition - MFA 48	43,646		30,906	
Parks Land Acquisition - MFA 50	49,863		49,863	
Parks Land Acquisition - MFA 51	53,887		53,887	
Parks Land Acquisition - MFA 53	88,665		88,665	
Brandt's Creek Drainage Basin - MFA 63	123,842		123,842	
Library Parkade Plaza - MFA 64	209,357		209,357	
Downtown Revitalization	100,487		100,487	
Kokanee Gymnastic Facility - MFA 75	43,572		43,572	
Chapman Parkade	341,754		341,754	
Ellis Street Library	541,932	2,191,904	541,932	2,081,507

Debenture Recoveries

Local Improvement Levies	(271,300)		(264,733)	
Kokanee Gymnastic's Repayment	(47,695)		(43,571)	
- Appropriation to Major Facilities Res.	4,124			
South Pandosy Spec Area 1 & 2	(58,044)		(58,044)	
Parking Reserve	(551,108)		(551,108)	
Downtown Revitalization	(100,488)		(100,488)	
Library Board	(560,000)	(1,584,511)	(560,000)	(1,577,944)

NET DEBENTURE DEBT

607,393 503,563

AGREEMENTS FOR SALE

210 Asher Road	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
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Agreements - Recoveries

Land Acquisition Reserve	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
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NET AGREEMENTS FOR SALE

0 0

GENERAL TAXATION

2005 DEBT CHARGES ANALYSIS

	<u>2004 FINANCIAL PLAN</u>		<u>2005 FINANCIAL PLAN</u>	
<u>SHORT TERM BORROWING</u>				
MFA Levy	2,205		2,205	
Downtown Library	0	<u>2,205</u>	0	<u>2,205</u>
<u>TEMPORARY DEBT</u>				
Interest on Short Term Loans	0		0	
Interest on Prepaid Taxes	120,000		90,000	
Bank Charges/Local Improvements	27,000		51,000	
Temporary Capital Borrowing	<u>5,000</u>	<u>152,000</u>	<u>0</u>	<u>141,000</u>
<u>Temporary Debt - Recovery</u>				
Parking Reserve	(17,000)	<u>(17,000)</u>	(21,000)	<u>(21,000)</u>
NET TEMPORARY DEBT		<u>135,000</u>		<u>120,000</u>
<u>NET DEBT - GENERAL</u>		<u>744,598</u>		<u>625,768</u>
<u>PERCENT CHANGE - BUDGET TO BUDGET</u>		<u>744,598</u>		<u>625,768</u>
			-16.0%	
<u>DOLLAR CHANGE</u>			(118,830)	

CITY OF KELOWNA - 5 YEAR DEBT REPAYMENT SCHEDULE

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>GENERAL</u>					
Debenture					
Principal	759,459	666,642	646,544	592,066	614,867
Interest	1,322,048	1,266,295	1,171,619	1,042,681	1,019,880
Total Expenditures	2,081,507	1,932,937	1,818,163	1,634,747	1,634,747
Recoveries	(1,577,944)	(1,475,320)	(1,432,234)	(1,418,832)	(1,413,289)
Net Debenture Debt	503,563	457,617	385,929	215,915	221,458
Other Debt					
MFA Levy	2,205	2,205	2,205	2,205	2,205
Temporary Debt	120,000	105,000	105,000	105,000	105,000
TOTAL NET DEBT (General)	625,768	564,822	493,134	323,120	328,663
<u>WATER</u>					
Debenture					
Principal	238,653	249,628	274,778	274,778	251,419
Interest	354,811	364,016	395,646	395,646	364,965
Total Expenditures	593,464	613,644	670,424	670,424	616,384
Recoveries	(41,394)	(41,394)	(41,394)	(41,394)	(41,394)
Net Debenture Debt	552,070	572,250	629,030	629,030	574,990
<u>SEWER</u>					
Debenture					
Principal	1,178,170	1,146,287	1,138,594	1,138,594	1,129,865
Interest	1,811,217	1,780,349	1,771,842	1,771,842	1,761,483
Total Expenditures	2,989,387	2,926,636	2,910,436	2,910,436	2,891,348
Recoveries	(1,721,291)	(1,713,155)	(1,693,155)	(1,693,155)	(1,676,144)
Net Debenture Debt	1,268,096	1,213,482	1,217,281	1,217,281	1,215,204
<u>NATURAL GAS LEGACY</u>					
Debenture					
Principal	1,699,052	1,699,052	1,699,052	1,699,052	1,699,052
Interest	2,450,540	2,450,540	2,450,540	2,450,540	2,450,540
Total Expenditures	4,149,592	4,149,592	4,149,592	4,149,592	4,149,592
Recoveries	(4,149,592)	(4,149,592)	(4,149,592)	(4,149,592)	(4,149,592)
Net Debenture Debt	0	0	0	0	0
TOTAL YEARLY DEBT PYMT	2,445,934	2,350,553	2,339,446	2,169,431	2,118,857

8. ONGOING BUDGET IMPACTS (GENERAL FUND)

The 2005 supplemental operating requests will add \$2,301,650 to the general fund operating budget. Of this total, \$676,000 are onetime requests for the year 2005 only. This includes the \$600,000 onetime request for appropriations to the Major Facilities Reserve and Major Parks Purchase and Development Reserve.

Annualizing requests in the 2005 financial plan will **increase the 2006 budget by \$402,470**. The three largest items are:

Police – New RCMP members	\$135,850
Police – Contracted Service	\$79,800
H.R. – Staff Training Program	\$35,000

The majority of the ongoing operating costs from new equipment purchases will be recovered through charge-out rates and will not have a taxation impact next year. Other ongoing operating costs from new park lands and additional road maintenance are estimated to cost \$25,000 in 2006.

Impact Summary:

Onetime Requests *	(\$76,000)
Additional Full Year Costs	\$402,470
Capital Maintenance Costs	<u>\$25,000</u>
	\$ 351,470

* The onetime request amount does not include the \$600,000 appropriation described earlier as a new submission will be included for 2006.



View from the south of the city looking north up Okanagan Lake.

2005 FINANCIAL PLAN
FTE SUMMARY (Salaried & Hourly)

	BUDGET 2003	ACTUAL 2003	REVISED ADOPTED 2004	FINANCIAL PLAN 2005
GENERAL FUND				
MAYOR	2.1	2.0	2.1	2.1
COUNCIL	8.0	8.0	8.0	8.0
CITY MANAGEMENT	5.4	5.1	5.4	7.2
FINANCE	41.0	38.2	41.3	42.3
HUMAN RESOURCES	9.1	9.6	10.1	11.0
PLANNING SERVICES	18.3	17.8	19.3	19.3
INSPECTIONS	38.6	37.4	39.7	42.2
CITY CLERKS	7.6	7.0	8.1	8.1
COMMUNITY DEV. & REAL ESTATE	7.1	5.7	6.6	7.4
INFORMATION SERVICES	16.0	14.3	16.0	17.0
LEISURE SERVICES	2.1	2.2	2.1	2.1
CIVIC PROPERTIES	11.8	12.1	12.1	11.7
CULTURAL SERVICES	4.8	5.2	5.1	7.0
RECREATION	55.4	57.0	58.0	58.5
PARKS	47.5	46.3	48.2	49.6
WORKS & UTILITIES	24.3	21.1	23.9	23.7
TRANSPORTATION SERVICES	52.9	48.3	57.5	58.6
TRANSIT	0.0	0.0	0.0	0.0
STORM WATER MANAGEMENT	6.5	6.7	6.8	7.7
SOLID WASTE MANAGEMENT	13.1	11.3	13.1	16.5
STREET LIGHTS	0.0	0.4	0.0	0.0
DEBT & OTHER	0.0	0.0	0.0	0.0
POLICE	52.8	50.2	50.6	53.6
FIRE	103.7	106.1	103.8	103.8
TOTAL GENERAL FUND	528.1	512.0	537.8	557.4
UTILITIES				
WATER	20.9	18.8	21.8	22.9
WASTEWATER	31.5	29.0	32.7	32.9
ELECTRICAL	1.9	2.2	1.9	1.9
NATURAL GAS	0.0	0.0	0.0	0.0
AIRPORT	24.5	23.1	24.5	26.0
TOTAL UTILITIES & AIRPORT	78.8	73.1	80.9	83.7
TOTAL CITY OF KELOWNA	606.9	585.1	618.7	641.1

FTE Analysis

CITY MANAGEMENT

2005 Budget Supps have added 1.75 FTE's for Communications Assistants

FINANCIAL SERVICES

2003 Actual 1.4 FTE vacancy

2003 Actual Financial System Upgrade supp carry-over 1 FTE

2004 Budget Supps added .5 FTE and 2003 Supp reduced .25 FTE

2005 Budget 2004 onetime supp less 1 FTE and Int Accountant annualized .2 FTE

2005 Budget Supps added .9 FTE for Sr Accountant - Revenue, .5 FTE for Risk & Claims Analyst and .4 for student

HUMAN RESOURCES

2004 Budget 1 FTE Recruitment Admin. Support hourly wages carry-over from 2003

2005 Budget Removed 1 FTE Recruitment Admin. Support hourly wages carry-over and annualized .4 FTE

2005 Budget Supps added 1 FTE for OMMLRA and .4 FTE for clerical support

PLANNING

2004 Budget Budget Transfer of 1 FTE from Community Development & Real Estate

INSPECTIONS

2004 Budget Supps added 1 FTE for Plan Checker, 1 FTE for Inspector

2005 Budget Supp onetime addition 1.0 FTE for Plan Checker removed in 2005

2005 Budget Supps added 1 FTE for Plan Checker, 1 FTE for Building Inspector II, 1.5 FTE's for Bylaw Officers

CITY CLERKS

2004 Budget Transferred .5 FTE from Community Development & Real Estate (City Clerk Position)

COMMUNITY DEVELOPMENT & REAL ESTATE

2004 Budget Transferred .5 FTE to City Clerks

2004 Budget Budget Transfer 1 FTE to Planning and 1 FTE increase from Contracted services-Rental Properties

2005 Budget Supps added .83 FTE for Administrative Clerk

INFORMATION SERVICES

2003 Actuals GIS position and Business System Analyst positions vacant

2005 Budget Supp added 1 FTE for Help Desk Support

CIVIC PROPERTIES

2004 Budget Project Manager .3 FTE change from contract service

2005 Budget 2004 onetime supps removed .8 FTE hourly wages

2005 Budget Supps added .4 FTE hourly wages

CULTURAL SERVICES

2004 Budget Annualize .3 salary position

2005 Budget Supps added 1.75 FTE for Facilities Manager and Development Supervisor

2005 Budget Supps added .1 FTE in hourly wages for Theatre Crew staffing

RECREATION

2004 Budget 1 FTE Comm Rec Coord supp for hourly wages and various 1.6 FTE's in hourly wages

2005 Budget 1 FTE salary moved to 1 FTE hourly wages

2005 Budget 2004 Supps annualized increase of .4 FTE in hourly wages

2005 Budget Supps for various operations added .1 FTE in hourly wages

PARKS

2004 Budget Supps for various operations have added .7 FTE's in hourly wages

2005 Budget 2004 supps for various operations were annualized and add .27 FTE to hourly wages

2005 Budget Supps for various operations added 1.3 FTE in hourly wages

WORKS & UTILITIES ADMIN

2003 Actual 1.7 FTE surveying charged to capital and 1.2 FTE vacancy for pollution prevention

2004 Budget Supps added 1.1 FTE for Engineering clerk and Rights of Way Investigation, reduction of 1.4 for onetime requests

2005 Budget Onetime supps removed 1.05 FTE for Watershed Stewardship and Rights of Way investigation

2005 Budget Supps added .82 FTE to Environment.

TRANSPORTATION

2003 Actual .7 FTE vacancy in Traffic Operations, various positions charged to capital programs

2004 Budget Supps added 4.6 FTE to hourly wages for Rural Road Maintenance and Road Usage Permits

2005 Budget 2004 Supps annualized have increased hourly wages by .5 FTE

2005 Budget Supp added .1 FTE for Admin. Asst, rest of the position funded from capital, .45 FTE in wages for various oper.

STORM WATER MANAGEMENT

2004 Budget Supp adds .3 FTE as a onetime increase for Catch Basin Mapping, removed in 2005 budget
 2005 budget 2004 .1 removed for for 2004 hourly wages reduced ongoing supp
 2005 Budget Supps add .3 FTE for Utilities Planning/Support Tech. and 1 FTE for wages funded from Prov. Contribution

SOLID WASTE

2003 Actual Expanded programs did not occur as scheduled
 2005 Budget Supps add 3.38 FTE's in hourly wage for various operations

POLICE

2003 Actual Position vacancies during the year
 2004 Budget Annualize 2003 salaried positions 1.25 FTE
 2004 Budget Supps added 1.5 FTE for Accounting Assistant and Records Quality Control Assistant
 2004 Budget Less .75 FTE members annualized supp and 5.6 FTE hourly positions now under contract service
 2004 Budget Supp added .5 hourly wage position for Pawn Shop Coordinator
 2005 Budget Annualize 2004 salaried positions .5 FTE
 2005 Budget Supps added 2.5 FTE for Records Unit Supervisor, Secretary and Security Alarm Program Coordinator
 2005 Budget Supp added 5.25 FTE RCMP members

WATER

2003 Actual Salaries charged to capital projects
 2005 Budget Supps for various operations have added 1.1 FTE's in hourly wages category

WASTEWATER

2003 Actual Salaries charged to capital projects
 2005 Budget Supps for various operations have added .2 FTE's in hourly wages category

AIRPORT

2005 Budget Supp added 1.5 FTE for Development Manager and Clerical support
 2005 Budget Supp added 2.25 RCMP members