

2009 Financial Plan

Provisional Volume 1

CITY OF KELOWNA 2009 FINANCIAL PLAN



British Columbia
Canada

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CITY OF KELOWNA

MEMORANDUM

Date: December 9, 2008
File No.: 1700-20
To: Mayor and Councillors
From: Director of Financial Services
Subject: 2009 FINANCIAL PLAN

Attached is your copy of the 2009 Financial Plan discussion document.

Department Review Sessions will begin at 8:00 am Wednesday, January 7th.

A budget overview and chart presentation will be made at the regular Council Meeting on December 15, 2008.

The schedule of review times for specific departments is on the following page. Based on past experience, only one day has been scheduled for the 2009 review with a provision to meet on Thursday only if required. The review session will be held in Council chambers.

Volume 2, containing prior year carry-over projects, will be brought before Council on March 23, 2009. Volume 3, final 2009 changes and the 5 Year Financial Plan, will be brought before Council for adoption on May 4, 2009.

The City of Kelowna, as a member of the Government Finance Officers Association (GFOA) of the United States and Canada, annually submits its Financial Plan for review under the GFOA's 'Distinguished Budget Presentation Award Program'. In order to earn the award, documents submitted for review must meet a number of strict criteria under 4 broad categories. High marks must be received for:

- *The budget as a policy document*
- *The budget as a financial plan*
- *The budget as an operations guide*
- *The budget as a communications guide*


The Financial Planning division's outstanding efforts has resulted in the Distinguished Budget Presentation Award being earned by the City in each of the last 7 years.

The GFOA is a professional association serving its members in a public finance capacity since 1906. Approximately 17,500 GFOA members are dedicated to the sound management of government financial resources.

The new organization structure, announced in the fall of 2008, has not been used for the development of this Financial Plan. Unfortunately the 2009 budget process was already under way prior to the structure change.

I would like to take this opportunity to thank all City Departments for their co-operation and assistance in the completion of their financial plans in the timelines necessary to prepare the documents for distribution.

Should you have any questions regarding any of the information provided, please do not hesitate to call me.

A handwritten signature in black ink, appearing to read "K. Grayston". The signature is written in a cursive style with a horizontal line underneath the name.

K. Grayston

Encl.

cc: City Manager, All General Managers and Directors

2009 FINANCIAL PLAN REVIEW SCHEDULE

DAY 1

January 7, 2009

- 8:00 a.m. - 8:10 a.m. Director of Financial Services
- Explanation of Review Process
- 8:10 a.m. - 8:45 a.m. Police Department
- 8:45 a.m. - 9:15 a.m. Fire Department
- 9:15 a.m. - 9:45 a.m. Airport
- 9:45 a.m. - 10:00 a.m. Mayor, Council & City Management
- 10:00 a.m. - 10:45 a.m. Corporate Services, City Clerks,
Com. Dev't & Real Estate, Information Services
- 10:45 a.m. - 11:00 a.m. Financial Services
- 11:00 a.m. - 11:15 a.m. Human Resources
- 11:15 a.m. - 12:00 p.m. Planning & Development Services
Inspection Services
- 12:00 p.m. - 1:00 p.m. Lunch
- 1:00 p.m. - 1:30 p.m. RPC Services, Civic Properties
- 1:30 p.m. - 3:00 p.m. Cultural Services, Recreation, Parks
- 3:00 p.m. - 4:00 p.m. Works & Utilities, Transportation Services
Transit

Note: This budget discussion timetable is only a guide and may be modified as circumstances dictate.

2009 FINANCIAL PLAN REVIEW SCHEDULE

DAY 1 Continued

January 7, 2009

- 4:00 p.m. - 4:15 p.m. Solid Waste Management
- 4:15 p.m. - 4:30 p.m. Storm Water Management
- 4:30 p.m. - 5:00 p.m. Water
- 5:00 p.m. - 5:30 p.m. Wastewater
- 5:30 p.m. - 6:00 p.m. Electrical & Street Lights
- 6:00 p.m. - 6:30 p.m. Debt & Other, Natural Gas, General Revenues
- 6:30 p.m. - 7:00 p.m. Wrap-Up & Discussion

DAY 2

January 8, 2009

- 9:00 a.m. - 4:00 p.m. Further Discussion (If Required)

Note: This budget discussion timetable is only a guide and may be modified as circumstances dictate.

City of Kelowna

MEMORANDUM

DATE: December 15, 2008
FILE: 1700-20

TO: Mayor and Councillors

FROM: City Manager

RE: 2009 FINANCIAL PLAN

I am pleased to present the provisional 2009 Financial Plan to Council. It has been a privilege to serve the City of Kelowna Council and citizens in my capacity of City Manager over the past year. Instilling the core corporate value of **People First**, whether it relates to our citizens, customers or staff team will move us towards my goal of making Kelowna the best mid-sized city in Canada. As planned and stated in the past year's financial plan, we have focused on becoming an adaptive response organization and our team is working hard to achieve this objective.

I would like to acknowledge the effort put forth by the Senior Management Team, their Managers and staff, along with the Financial Services Financial Planning Team in the preparation of budget submissions. Staff, in 2008, has demonstrated a genuine commitment to meet the challenges presented by persistent development pressures, emerging new standards and legislation, ever changing conditions in the economy and in services as this Council's focus and direction emerges. The City, as a collective team of both Council and staff, are continually challenged to be innovative and creative in terms of adapting to community desires for service delivery in an increasingly complex operating environment.

This year's budget recognizes the transition from a buoyant economy through the first part of 2008 and annualizing of commitments made at the time, to the reality of a recessionary economy that is expected to continue through all of 2009. The City's past exposure to market and inflationary cost pressures that were consistently higher than general inflation is likely to be mitigated in 2009, especially for large capital projects. This may not be evident until construction contracts are tendered beginning in the spring of 2009.

The level of recent years' community growth has offered many opportunities to improve the quality of life and enhance services for our citizens, however there is a recognized time lag between service demands and the financial capacity to fulfill the need. The City has been committed to resolving this gap through established and new corporate strategies, but we recognize that prudent fiscal management must be balanced with difficult servicing decisions.

While the 2009 Financial Plan does not reflect all of the many worthwhile identified needs, I believe it is important to continue to provide services, infrastructure and other amenities consistent with Council priorities that recognize the needs of a vibrant, dynamic and growing community. The beauty and lifestyle historically enjoyed by the residents of the City of Kelowna must be protected while providing the services necessary to ensure a welcoming environment for visitors and new residents alike.

Although there are always a number of external and community factors that impact the City's annual budget, the 2009 budget will be particularly impacted by the following factors:

Economic Situation – We are now beginning to see locally the impacts of a downturn in the global economy. While Kelowna has a healthy overall diversity in employment, the construction sector has been impacted significantly in recent months. A lengthy recovery period is being predicted and it is hoped that the Bank of Canada's targets for low inflation and interest rates will be an incentive for business to inject development capital into the region.

Keeping on top of changes in the economy, as they impact the City of Kelowna, will be a high priority in 2009 and budgetary adjustments may be necessary as we approach finalization of our financial plan in early May.

The slowdown in the construction market will allow the City to 'catch our breath' in many related areas of the development process from a regulatory and inspection perspective. A total of 1,884 building permits valued at \$514 million were issued through November, 2008. This compares to the City's previous highest value for building permits recorded in 2007, where 2,139 permits were issued with a value of \$586 million.

On a positive note, the Kelowna International Airport continues to be challenged in meeting the market demand of the traveling public. Year over year passenger volumes through November, 2008 were over 1.3 million, a 2.4% increase over the same period in 2007. Total 2007 passenger volumes were 11% higher than those experienced in 2006, so we are again on course to reach unprecedented levels for 2008. This success has triggered improvements that were completed in 2008 including a runway extension and expansion of the departure room. Investment in an expanded international concourse and car rental terminal are planned in 2009 to help address demand and position the airport for further improvements in 2010. We are encouraged by air carrier confidence in the local market, as evidenced by the recent Westjet announcement of increased frequency on summer flights from Calgary and Edmonton.

Continuing expansion at the Okanagan campus of University of British Columbia is an important link in training the emerging generation in Kelowna's trend to a more knowledge based economy. Okanagan College is also expanding its campus and programs to meet local and regional employment opportunities.

Parks and Recreation Facilities – Construction of the \$46.1 million Mission Recreation Park (MRP) Aquatic Centre began with the removal of pre-load material in June, 2007. The project, approved in 2006, will include a 50 metre pool, large leisure area and a number of other aquatic related features and has an expected opening date in April, 2009. An associated average property owner taxation increase for 2009 of 1.79% is year two of a 2-year phase-in totaling 4.65%. Also, the final design on downtown's Stuart Park will be completed early in 2009 and construction of phase one will get underway later in the year along with development of Mugford Park in Rutland.

Transportation Issues – Relieving traffic congestion continues to be identified as a high priority issue in the City's annual Citizen Survey. Improvements to Highway 97 and adjacent roads east of the new Okanagan Lake Bridge were completed in 2008 and have served to improve traffic flow in this corridor. The City will be cost sharing with the Province in widening of the next section of Highway 97 from Gordon Drive to Highway 33 to further improve traffic movement during peak hours. These improvements will also facilitate provision of rapid transit initiatives and potentially, HOV lanes.

Continuing attention has been given to road infrastructure renewal, through the road resurfacing program budget of \$2.4 million. A number of transportation related projects are being put forward that will assist in improving vehicular traffic, bicycle and pedestrian movement throughout the City.

Construction of the \$11 million Glenmore Bypass from Dallas Road to just north of Scenic Road will be initiated in 2009 and includes a multi-use pathway on the west side of the road. Also, the realignment of McIntosh and Mugford Roads in Rutland will improve traffic flow, safety and better accommodate the new Bus Rapid Transit (BRT) line in the Rutland Centre.

To ensure a balanced approach to transportation demand, the City is continuing with its commitment to increase the mode split between alternative transportation methods (transit, cycling, walking, etc.) and motorized vehicles. The full implementation of the first 2 phases of the BRT line will provide high frequency travel between downtown Kelowna and UBC Okanagan. University student approval for the implementation of a U-Pass as part of the tuition package has made this an excellent opportunity to better accommodate the needs of students and employees alike.

The budget provides for construction of the next phase of the Rails with Trails project. This is a multi-purpose pathway within the CN Rail corridor and will extend from Sexsmith Road to the UBC Okanagan campus. The City is also increasing funding for our bicycle path network with a \$1 million provision for 2009. An engineering feasibility study will also be completed to determine the potential for a cycling corridor on Glenmore Road from McKinley Road through to Lake Country.

Protective Services and Public Safety – A continuing community dilemma in addressing issues related to homelessness, drug addiction, crime rates and mental illness has resulted in concerns for those directly impacted, as well as Kelowna's citizens and visitors. While there are no new RCMP member positions included in the 2009 budget, just over \$300,000 is required to annualize costs for the 8 members approved beginning July 1, 2008. The total authorized strength at the Kelowna detachment is 141. Support for front line members is reflected in the provision for an additional PRIME (RCMP records management system) Coordinator and an additional Crime Analyst.

In the Fire Department, the addition of a Fire Equipment Mechanic will enable compliance with established standards of maintenance for fire apparatus and the addition of 2 Relief Fire Dispatchers will address call volume increases on a 24/7 basis.

Housing and Homelessness - The City continues to work with local agencies and senior levels of government in addressing both short term and longer term needs, including supportive, temporary and affordable housing initiatives. The City has committed to the provision of land in a number of locations in order to facilitate these initiatives.

Debt Management Initiatives and Reserves Position – There was a conscious effort made to reduce annual general fund debt servicing obligations between the years 1999 - 2003 to better position the City to undertake planned large capital expenditures. Debt servicing of 4.7% of taxation in 1999 was reduced to a low of 1.6% of taxation in 2007. The new MRP Aquatic Facility will increase debt servicing to 4.1% of tax demand for 2009 when including internal borrowing. Council's adopted strategy is to keep tax supported debt servicing to no greater than 5% of each tax dollar collected.

Council's past support of an aggressive capital program pay-as-you-go strategy has reduced the City's reliance on long-term debt as a funding mechanism. More recent pressure on funding of operational needs has necessitated a reduction in pay-as-you-go incremental funding. In 2009, the budget provides for a capital increase representing 30% of new taxation revenue which is below the targeted strategy of 50%. The judicious use and replacement of reserves remains paramount to the financial health of the City.

The City has a long history of ensuring its fiscal health by maintaining a number of reserve accounts and funds. Reserves are critically important in order to achieve a number of objectives including:

- Replacement of equipment
- Averaging of expenditures that are partially unpredictable from year to year (i.e. snow and ice control, spring sweeping)
- Funding of emergent repairs or replacement or unanticipated revenue loss
- Saving for eventual purchase of goods or construction of projects that would result in an unacceptable taxation impact in any one year

Replacement of reserve funds used for projects like the Aquatic Centre will be a challenge given the number of initiatives currently planned or underway.

Expenditure Pressures – Increases associated with the delivery of policing services are once again being mitigated through reliance on provincial gaming revenues.

Funding to maintain a number of ongoing services within an acceptable taxation increase framework has required some difficult trade-offs. It is critically important to meet community standards for roads, parks, drainage, facilities and equipment maintenance. The levels of service being recommended in this budget, while not ideal, are supported as acceptable by each of the operating departments responsible. Significant priority has been placed on parks and facilities related maintenance and transit service as has been earlier noted.

The City of Kelowna contracts for many services and we believe that moderated demand associated with the current economy will result in favourable pricing in a number of service delivery areas.

Annualizing of 2008 Expenditure Decisions – During formulation of the 2008 budget, Council approved a total of \$1.5 million, representing 1.7% of 2008 taxation demand, of incremental service costs that were either part-year or were to be phased in over a two-year period. Major components of this increase include costs associated with parks, transit and policing initiatives as well as debt servicing associated with the Mission Recreation Park Aquatic Centre.

Infrastructure Renewal – The City's inventory of roads, pipes, buildings and playgrounds has grown rapidly since the early 1990's. The need for infrastructure preservation and renewal programs is critical to maintaining levels of service consistent with citizen expectations. New requirements for local governments adopted by the Public Sector Accounting Board (PSAB 3150) mandate amortization of tangible capital assets and will significantly change the City's financial statement presentation for the 2009 fiscal year end. The effort to comply with PSAB 3150 is costly and requires dedicated resources to develop a full inventory and methodology for amortization. It is recognized that a sound infrastructure preservation program is a risk management issue that, if ignored, can be very costly in the long run.

Environmental Protection – As the City has grown, so too has the need to protect local air and water quality from deterioration. We, as a City, are on a steep learning curve relative to the question of **sustainability** and what it means to our community. While sustainability has traditionally addressed environmental issues like water and air quality, there are economic and social impacts that also require strategies and best practices to deliver ongoing services to our citizens. We are learning quickly through initiatives like establishment of a Sustainability Working Group of staff members. The group has developed a comprehensive report on where the City is already engaged in sustainable practices and a number of actions we need to undertake to take a greater leadership role.

Other Challenges

The **AIM (Agresso Information Management)** project is a corporate-wide integrated software implementation initiative that began in 2007 and is scheduled to “go-live” for core financial functions on January 1, 2009. This is the most significant cross-departmental project that has been undertaken in many years. It will be key to management decision making for many years and includes core financials, human resources and payroll and project modules (second half of 2009 implementation).

Recruitment and retention has been a very significant issue for the City over the past few years. While a changing economy may help to mitigate this challenge, baby-boomer retirements are beginning and result in the need to replace not just an employee, but generally people with a tremendous municipal knowledge bank. Work time flexibility, wellness and other initiatives that foster work/life balance have been implemented to position the City to be an employer of choice for the pool of talent committed to a career in local government services.

Dealing with the **pine beetle** epidemic will continue to require considerable resources to assist the public in education, prevention and monitoring of Ponderosa pine trees in the City. This year’s budget includes considerable funding to continue the fuel modification program in partnership with senior governments and to increase the number and diversity of new trees being planted.

While these factors are important considerations for 2008 and beyond, they all link to the major corporate objective of **maintaining current service levels** in all areas in the most cost efficient manner. City staff is committed to seeking alternative funding and revenue sources and partnerships to enhance existing programs and to foster development of parks and community recreational facilities.

In response to the general guidance from Council and considering all new cost pressures, my goal, throughout preparation of the 2009 Budget, was to achieve a Municipal Tax increase that addresses primary needs for the community while recognizing the impact of the new aquatic facility. As such, I am recommending a **Municipal Tax increase of 4.49%**. **Given the provincial freeze on assessments for 2009, this percentage will be consistent for the vast majority of Kelowna residential class property owners.**

The estimated increase in tax **revenues generated from new construction is estimated at \$2.75 Million**. This is based on recent information from BC Assessment, however the City was subsequently advised that the associated assessment may be lower. We will proceed cautiously and may have to mitigate any potential tax loss when final values are determined in April, 2009.

There has been one reporting change implemented in the 2009 financial plan whereby the property owner tax for the City's share of the **Okanagan Regional Library** requisition will be shown as a separate line item on the tax notice rather than included in the municipal share of taxes amount. If it had been included as in past years, the municipal share increase would increase slightly.

The following is a more detailed explanation of some of the budget issues already covered in summary.

1. The total one-time operating budget expenditures, funded from taxation for 2009 is \$48,400 as compared to \$341,950 included in the 2008 budget.
2. A provision for growth in revenue from new construction of \$2.75 Million compares to \$3.24 million generated in 2008. While final new construction values will not be known until the second quarter of 2008, indications are that they will need to be revised downward when final data is received from BC Assessment.
3. The 2008 Final Budget resulted in a General Taxation Demand of \$84.4 Million that included a **pay-as-you-go Capital Expenditure Program** of \$20.7 Million or 24.5% of the General Taxation Demand.

Applying the Council objective of 50% of new construction taxation revenue being allocated to pay-as-you-go capital would result in an additional \$1,375,000 being included in the provisional budget totals. A total of \$815,600 has been added at this time to fund the extensive capital program priorities for 2009. It will be the \$560,000 Council objective shortfall cannot be fully addressed in 2009 given taxation priorities and the potential overstatement of new construction taxation revenue.

The pay-as-you-go Capital Expenditure Program of \$21.5 Million represents 23.6% of the projected General Taxation Demand of \$90.9 Million for 2009. The total General Fund Capital Expenditure Program, including funding from all sources, is budgeted at \$54.7 Million in 2009.

There are a number of operating and capital projects that are currently included as Priority 2 requests that would normally have been included within the budget except for the taxation level this year. These are provided in the document should Council wish to consider them further.

Debt Management

Although some communities have targeted debt free balance sheets, the effective use of debt for specific projects can more accurately reflect the benefit of assets acquired by debt financing to existing and future citizens while removing spikes in taxation requirements.

While the cost of borrowing remains very low on a short-term basis, yield curves reflect long-term rates that are consistent with the "credit crunch" impact on financial markets. The City is implementing internal financing strategies, where appropriate, to minimize current interest costs while ensuring that we don't lose sight of the potential to lock in borrowing prior to a shift to higher interest rates.

The overall net general debt servicing costs, including internal financing, of \$3,762,100 for 2009 has increased by \$458,100 over 2008 levels. This represents 4.1% of the 2009 projected general taxation demand and still compares very favourably to debt servicing levels of any Canadian local government.

Property Assessments

On November 1, Premier Gordon Campbell announced that effective immediately, and for the 2009 tax year only, property assessments would be frozen for all property classes at their July 1, 2007 valuation level (i.e. 2008 Assessment Roll). This measure was intended by the Province to provide property owners with certainty and confidence in the property assessment system as a result of the recent downturn in BC's real estate market.

The emergent work effort required by BC Assessment to accommodate the Premier's decision has resulted in a delay in receipt of accurate new construction assessment data for 2009. I have been advised that the budgeted new construction taxation from assessment is optimistic and may need to be adjusted downward at final budget in May, 2009.

2008 Accomplishments/Future Budgets

Beginning on page A15, there is a summary of 2008 City of Kelowna accomplishments that highlights most of the major areas of operation. As well, the City and city staff were the recipients of a number of awards and recognition in 2008 including:

- The **Award of Excellence** from the Planning Institute of British Columbia (PIBC) for our Downtown Sign Plan.
- The City of Kelowna was named one of six **Solar Communities** in British Columbia by SolarBC.
- First organization in British Columbia accredited under the new **PlantHealth BC Pest Management Program**.
- Annual Smart Transportation Report ranked Kelowna as one of the top ten cities in Canada adopting **sustainable transportation practices**.
- Kelowna placed second, for the second consecutive year, in the **Green Cities Award** program sponsored by the provincial Ministry of Community Services.
- The Government Finance Officers Association's **Distinguished Budget Presentation Award** for the City's 2008-2012 Financial Plan. This is the seventh consecutive year that the City has earned the award.
- The Government Finance Officers Association's **Canadian Award for Financial Reporting** for the sixth time for the City's 2007 Annual Report.

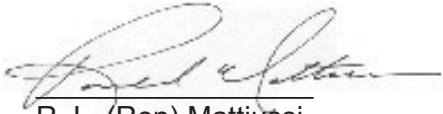
I am very proud of our City staff's and Council members' leadership and participation in a number of community initiatives and fundraising events in 2008 including:

- United Way – new record for City staff contributions in 2008
- Heart and Stroke Foundation
- Terry Fox Day in of support of cancer research
- Run For The Cure in support breast cancer research
- BC Professional Firefighters Benevolent Fund
- Canadian Diabetes Association
- Salvation Army
- Canadian Blood Services
- Kelowna Food Bank drive
- Adopt-a-Family at Christmas

Involvement in these activities provides further evidence of our commitment to serving and building a great community!

The Mayor and Councillors
Page 8 (2009 Provisional Financial Plan)
December 15, 2008

I believe this financial plan positions the City to weather the economic storm we are currently faced with considering the impacts may extend beyond 2009. I would like to thank all departments for their effort in formulation of the 2009 corporate financing and action plan for the Mayor and City Council and the citizens of the community. I know that City Staff are looking forward to working with Council on the challenges and opportunities of the coming year.

A handwritten signature in black ink, appearing to read "Ron Mattiussi", written over a horizontal line.

R. L. (Ron) Mattiussi



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Kelowna
British Columbia**

For the Fiscal Year Beginning

January 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the **City of Kelowna, British Columbia** for its annual budget for the fiscal year beginning **January 1, 2008**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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2009 Provisional Budget

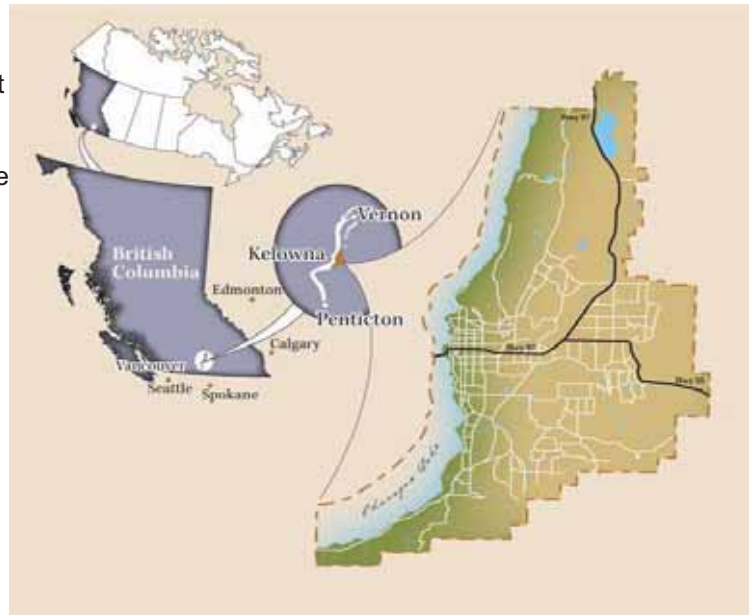
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CITY OF KELOWNA BRITISH COLUMBIA

The City of Kelowna is centrally located in the Okanagan Valley, in the interior of British Columbia, Canada. The city is situated on the eastern shore of Okanagan Lake mid-way between Penticton in the south and Vernon in the north.

- With an estimated population of approximately 113,000, Kelowna is the largest city in the Okanagan Valley.
- The City occupies approximately 214 square kilometres (83 square miles) of land and 48 square kilometres (19 square miles) of water area.
- Kelowna is well known for its hot summers and temperate winters. The average daytime high during July and August is 27.40 C. The average daytime high during December and January is -0.30 C.
- Kelowna receives over 2,000 hours of sunshine annually and just over 11 inches of rain.



Kelowna was incorporated in 1905 and since then has become the main marketing and distribution centre of the Okanagan Valley, with a flourishing wine 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 10th busiest in Canada and with the expansion of the runway to 8,900 feet, the runway can accommodate larger aircraft capable of providing non-stop service to Europe. 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.

Kelowna General Hospital is the largest and most comprehensive in the southern B.C. interior maintaining 335 acute beds and 376 extended care beds. A full treatment cancer clinic is also situated next to the hospital. Kelowna is home to several local theatre groups, a symphony orchestra, a museum and numerous art galleries. University of British Columbia Okanagan opened its doors in September, 2005. The new facility provides a world class research and teaching university within a small campus setting. Enrolment at the University is expected to be 7,500 students by 2009. Okanagan College also has a campus in Kelowna and offers transfer programs, as well as wide range of adult education and trades courses.

CITY OF KELOWNA

BRITISH COLUMBIA

Kelowna is situated along Okanagan Lake which is 145 km (90 miles) long. Okanagan Lake Bridge (built in 1958) was replaced by the W.R. Bennett Bridge in May of 2008. The new bridge is 1063 m in length boasting 5 lanes and continuing on the legacy as the only floating bridge in Canada.



Kelowna is considered one of the most liveable cities in the world. The city teamed up with the District of Summerland to win the 2006 national edition of Communities in Bloom. Kelowna 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, including 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 and fishing. The nearby mountains attract hikers, skiers, and outdoor enthusiasts of all descriptions. There are three major ski hills within a one-hour drive.

* 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

2009 FINANCIAL PLAN HIGHLIGHTS



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 2009 Financial Plan has been projected at \$11,906,826 as compared to \$11,623,286 for 2008, an increase of \$283,540.

The following are some of the more significant changes to projected General Revenues for the 2009 budget year:

1. **General Revenue** changes include an increase in Property Tax Penalties of \$50,000, Business license revenue of \$100,000 to reflect actual experience and business growth. Other revenue for Miscellaneous, Federal and Provincial Contributions has a net increase of \$89,500.

Provincial Gaming Revenues are being increased by \$100,000 to \$4.0 million in the 2009 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 **\$2.75 Million**. The actual new construction assessments will not be available from B.C. Assessment until the second quarter of 2009.

The **major uses of the funds** generated from this new revenue in 2009 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 **\$84.4 Million to \$90.9 Million**, or 7.7%, the **average impact on existing property owners**, taking into consideration the revenue generated from new construction, **will be 4.49%**.
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 change to the average. *Due to current economic conditions, for 2009, the Province has changed the assessments to reflect the lower value from either July 2007 or July 2008 for the residential, light industrial and business classes.*

Further analysis will be required when B.C. Assessment provides the Revised Assessment Roll in the second quarter of 2009.

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 January 7th, 2009, will provide additional information.

2009 Financial Plan Impacts-

The annualization of operating costs approved in the 2008 budget will add \$1,502,301 or the equivalent of a 1.8% taxation increase to the 2009 Financial Plan. RCMP staffing, debt changes, transit service expansion and Parks operating funding are the most significant impacts. Onetime requests approved by Council in 2008 have reduced the operating costs for 2009 by \$321,950. An amount of \$4,114,579 for the Library has been removed from the Net Operating budget as it will be requisitioned separately (previous years have been adjusted for comparison purposes). Following is a summary of the net operating impacts for 2008:

• 2008 Net Operating Budget	\$75,327,427
• Less: One Time Requests	(321,950)
• Add: Annualized 2008 Requests	1,502,301
• Add: Base Adjustments (detailed in the departments)	1,364,258
• Add: 2008 Requests (Supplementals & Expend. Reductions)	3,459,950
• 2009 Net Operating Budget	\$81,331,986

Salaries, Wages and Fringe Benefits

1. **Contracts** are in place for C.U.P.E. staff and with the I.B.E.W. (Electrical workers) bargaining units until December 31, 2009. The I.A.F.F. (Fire Fighters) bargaining unit contract is just being finalized also to the period ending December 31, 2009.

2. Fringe benefit load factors, which are reflected throughout the departmental operating budgets, have not changed from the 2008 levels.

R.C.M.P. Contract

The 2009 General Fund Police contract staffing is at **138 members** with a budgeted vacancy factor for one member. The 2009 **average cost per member** has been budgeted at **\$123,400**, which is an increase of \$3,700 from 2008. The per member increase requires an additional \$510,600 for 2009.

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.

As mentioned earlier, the casino revenue sharing from the Province is reported within the RCMP budget and has increased by \$100,000 to \$4.0 million for 2009.

Additional Staffing - Supplemental Requests

There are eight (8) **full-time permanent salary positions** included in the 2009 financial plan as Priority 1 requests and .5 of a position that is replaced (net 7.5 new positions). 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 5.8 full time equivalent staff members for 2009. The full-time salaried positions are as follows:

1. Addition of a Communications Assistant position within City Management.
2. Addition of an Infrastructure Cost Analyst, 50% funded from the DCC Administration Reserve, within Civic Properties.
3. Addition of 1.5 positions within Recreation, Parks & Cultural Services; a Performance Improvement Consultant that will make a .5 position into a full position and a Workplace Excellence position (eventual phase to a full position).
4. Addition of a Prime Coordinator and a Crime Analyst position in the Police Services Department.
5. Addition of 2 Relief Fire Dispatchers in the Fire Department funded by a recovery from the Regional District.

There are also requests for 8.2 full time equivalent (FTE) staff members in various relief, part time, or term salaried positions for 2009. 4.2 relief staff for 1 year in Financial Services (new system implementation), .23 part time position in Inspection Services and 3.75 relief or part time ongoing positions in Police Services.

There are 14.9 hourly staff positions included for 2009. These include: 4.2 FTE's budgeted in Solid Waste for the compost operation, 3.5 in Transportation for vehicle and road maintenance, 3.2 FTE's in Sports & Recreation for the Mission Aquatic Centre,

outdoor events and building repairs, 2.6 FTE's for park maintenance requirements and a new mechanic position in the Fire Department.

Other Departmental Operating Highlights

The financial plan includes a number of Priority 1 Supplemental Requests, of which \$3,194,430 is funded from taxation. Some of the more significant changes to the departmental operating budgets for 2009 (that have not been discussed previously) are as follows:

1. Financial Services has a one-time request for \$436,400 to provide support staffing for the Agreso **software implementation**, with \$400,000 funded from the Major Systems and General Reserves.
2. Consulting assistance for **strategic development** of City owned property requires \$255,000 for 2009 with funding from the Land Acquisition Reserve.
3. Specific **Building Repair** projects of \$450,000 are included as priority 1. Rather than funding from the Building repair reserve each year, the projects are funded from a base level of \$450,000 of taxation rather than a reserve contribution.
4. An **Other Working Capital** supplemental of 790,000 is included as a provision for anticipated expenditures that have not yet been finalized. Details relative to these expenditures should be confirmed prior to establishing tax rates in May, 2009.
5. A **Building Permit revenue** decrease of \$130,000 reflects an anticipated reduction in building activity in 2009. This decrease is offset by funding from the Building Permit Averaging Reserve.
6. There are **Transit cost** increases of \$1.3 million due mainly to general increase for fuel, vehicle maintenance, debt servicing and administration as well as increases for municipal administration and security costs. These costs are reduced by anticipated additional revenues and BC Transit funding totaling \$1,025,750.
7. There are two requests for increases to **Fleet Maintenance costs** and corresponding revenue increases. This provides for the overall increase in fleet size and also for additional equipment at the Commonage Road Compost Facility.
8. Additional **Solid Waste** operating requirements include increases for crushing of blast rock, residential waste collection and waste reduction management. These costs will be offset by increased revenues for waste collection and for disposal at the Glenmore Landfill.
9. Establishment of the full operating budget in the net amount of \$879,150 for the **Mission Aquatic Facility**. This reflects 10 months of occupancy and 9 months of full operations. It includes a top up of the operating grant, a repayment to the Investment Reserve for the energy efficiency loan and then the balance is attributable to chemicals, maintenance and utilities cost.

In addition to the Supplemental Requests included in the 2009 financial plan, there are 62 **Priority 2 supplementals** totaling **\$2,463,210** which are not included in the budgetary totals, however they are included in the document for Council's review.

There are also 2 **Expenditure Reduction** requests for a total 2009 taxation reduction of **\$18,020**. These include a reduction in chemical dust control and the reduction in costs for maintaining gravel roads and lanes due to lane paving projects completed in 2008.

GENERAL FUND DEBT SERVICING

Net Debt Servicing Costs are budgeted at **\$2,822,410 in 2009** (\$3,762,070 including Mission Recreation Park internally financed debt). For external debt this represents a \$458,070 increase compared to 2008.

There is no new borrowing included in the 2009 financial plan for the General Fund. The current net general debt (including internal financing), as a percentage of taxation demand, is **4.1% in 2009** as compared to 3.9% of taxation demand in 2008.



CAPITAL EXPENDITURES

The 2009 General Fund **Capital Expenditure Program** (not including the Airport and Utilities) is **\$54.7 M.** of which **\$21.5 M.** is projected to be funded from **general taxation sources.**

The **general taxation contribution** to the capital program has increased by \$815,560 over the **2008 Final Budget funding level of \$20.7 M.** The increase is 30% of the \$2.75 million estimated new construction taxation revenue for 2009. This is below the 10 Year Capital Plan assumption that 50% of new construction revenues will be allocated towards the pay-as-you-go capital program.

The following are some of the highlights of the 2009 Capital Expenditure Program:

General Fund Program

1. The **general taxation** expenditure of **\$21.5 M.** has been allocated to departmental budgets as follows:

Community Dev't	General Land/ROW's	\$500,000
Information Services	Computer Eqmt/Software	\$732,750
Civic Properties	Facilities Construction & Impr.	\$3,316,200
Recreation	Equipment	\$136,000
Parks	Park Land & Development	\$4,471,050
Works & Utilities	Miscellaneous Works	\$170,000
Transportation Services	Roadways	\$10,105,600
Transportation Equipment	Equipment	\$212,500
Storm Water Management	Drainage Facilities	\$1,739,000
Street Lights	New Lights & Conversions	\$43,840
Fire	Vehicles & Equipment	\$72,900

There is also **\$33.2 M.** from sources other than taxation.

2. There is \$1.0 M. included for **general land requirements** within Community Development & Real Estate with funding from the Land Sales Reserve.
3. The Information Services budget includes \$247,750 for **upgrades to desktop hardware**, \$75,000 for **upgrades to desktop software**, \$125,000 for **server/system upgrades** and \$100,000 for **Customer Service Initiatives.**
4. The Civic Properties budget contains an additional \$695,000 for the **Upgrade to City Hall workspaces**, \$200,000 for building replacement planning for the **City's key operating facilities**, \$250,000 for tiling of **Parkinson Recreation Centre's deck surface**, \$350,000 for **Family "Y" Gym expansion**, \$165,000 for **Memorial Arena flooring and scrubber**, \$1,000,000 for **Laurel Building structural renovation**, \$500,000 for an **Energy Management** program to reduce greenhouse gases and reduce water consumption.

5. **Parkland acquisition** funding (including Natural/Linear lands) is \$4.7 M. including \$656,950 from taxation.
6. Funding for major parks or amenities development includes \$281,000 for **Mission Recreation Park** drainage improvements, \$496,000 for **Mugford Park**, \$365,000 for Phase I of **Lions Park**, **\$1,500,000** for **Stuart Park** including \$300,000 from taxation, \$240,000 for a **Mountain Bike skills park**, \$427,500 for **cemetery lawn crypts**, \$700,000 for continuing the **Fuel Modification/Pine Beetle** program and \$280,000 for **park development partnerships**.
7. The **Road Resurfacing** budget is \$3.5 M. for 2009, a decrease in total funding of \$1,038,000. **Non-arterial road projects** include \$1,350,000 for McIntosh/Mugford and \$500,000 for the Shepherd Rd. extension.
8. **Traffic Signals upgrades** including new installations and **Safety & Operational Improvements** to enhance traffic safety total \$1.3 million.
9. There are \$13.3 M. in **Development Cost Charge road projects** for 2009 including:
\$11.0 M. for the **Glenmore Bypass (Dallas - Scenic)**,
\$2.3 M. for **Hwy 97(1) – Gordon Dr. – Hwy 33**
10. The combination of the **Sidewalk Network and Bicycle Network Programs** will require \$600,000 of pay-as-you-go capital funding for 2009 on a \$1.7 million total budget.
11. A total of \$5.2 M. has been included in the Transportation budget for the **Rails With Trails** multi purpose pathway (Sexsmith to UBCO) with \$2.1 from **Gas Tax Funding** and \$2.6 M. from the **Province**. The remaining \$495,000 is from **Taxation** for land acquisition.
12. Mobile and related equipment totaling \$2.7 million is included in the budget to be funded primarily from the **Equipment Replacement Reserve** and the Landfill Reserve. The largest pieces of equipment being purchased are a hybrid aerial unit, 4 front end loaders for Landfill operations, and a tandem axle gravel truck.

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.
13. A total of \$1.7 M. of taxation funding is included for **Storm Water Management** projects, the largest being the Highland Dr. North Diversion project at \$680,000 and \$440,000 for Moyer Rd. drainage improvement. There is also \$200,000 available for miscellaneous drainage improvements that arise during the year.
14. The Solid Waste Management capital program requires \$1.2 million in reserve funding and \$2.6 million from the Wastewater Utility for 2009 and includes: \$475,000 for **Landfill Gas Management**, \$175,000 for **Leachate Management** and \$2.4 million for an expansion to the **Ogogrow Facility**.

15. The Fire Department capital program includes \$750,000 for a new **Pumper Truck** that will replace one that is to be retired. The **Fire Equipment Reserve** will provide funding for the new truck.



UTILITY FUNDS

2009 FINANCIAL PLAN HIGHLIGHTS



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 updated in 2008. 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

In 2008 work continued on the action items identified in the Water Sustainability Action plan adopted in 2007. The plan requires a further 15% reduction in water consumption by the year 2012, reducing average water consumption by a total of 35%. In 2008 the emphasis was on working with the Parks department, assessing water consumption within strata developments, expanded public education and completing a number of irrigation system assessments. The increasing block water rate continues to impact peak water demand without adversely affecting those customers who demonstrate responsible consumption. With 20% customer growth on the system since 1998, overall water consumption has only increased by 2%. The first phase of the Cedar Creek pump system, which includes a new pump station on Okanagan Lake, is expected to be completed by spring of 2009. The design for phase 2, which will include additional storage capacity and UV treatment, will be completed in late 2009 or early 2010. Health authorities have developed new treatment protocols and are currently developing

City of Kelowna, British Columbia requirements for future filtration. The Utility continues discussions with them and is now working on a filtration deferral application. As well, work continues with the Kelowna Joint Water Committee to develop a comprehensive water quality improvement strategy for Kelowna.

Financial Outlook - 2009

The **2009 Operating Revenues** are projected at **\$6.7 million**, with approximately \$6.1 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 2009 is \$1,101,800** with a further \$19,000 required for the General Fund capital program.

The total **Capital Expenditure Program** in the Water Utility is **\$1,756,800** (excluding the General Fund transfer) with major projects budgeted as follows:

High Road Watermain Upgrade	\$400,000
Lawrence Ave. Watermain	\$400,000
Poplar Point Low Lift Pump	\$100,000

There is a budgeted deficit of \$524,980 for the Water Utility in 2009. The anticipated surplus position at the end of 2009 will be \$983,774.

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, determines future capital requirements and the scheduling of those projects. Infrastructure investigation and analysis of the existing system allows for the timely replacement of existing utility mains & facilities.

Expansion of the Wastewater Treatment Facility Phase II continued in 2008 with the construction of new disk filters as part of Contract 1, and awarding Contract 2 in late 2008 for construction of the remainder of the facilities. The expansion project is likely to take four years to construct at a cost of approximately \$60 million.

In 2008, an old sewer main was replaced in advance of the Highway 97 asphalt overlay project, a major utility replacement project was carried out on Bernard Ave., a new section of a trunk sewer main was installed in Cross Road and the Bluebird Lift Station was upgraded to ensure capacity is available for the new Mission Aquatic Center.

Financial Outlook - 2009

The **2009 Operating Revenues** are projected at **\$12.2 million** with approximately \$3.8 Million required for operating expenditures of the collection system and debt repayment. A further \$4.7 million is required for treatment operations expenditures at the Wastewater Treatment Facility.

The **level of capital funding from current year revenues is \$2,186,600 in 2009** with a further \$2.8 million required for the General Fund capital program. The large increase in utility funded capital is due to the expansion of the Compost facility.

The total **Capital Expenditure Program** in the Wastewater Utility system is **\$2.5 million**, (excluding the General Fund transfer) with major projects budgeted as follows:

Lawrence Ave. (Richter to Ethel) pipe replacement	\$465,000
Rowcliffe Ave. (Richter to Ethel) pipe replacement	\$500,000
St Paul St. (Lane north of Bernard) pipe replacement	\$500,000

There is a planned budget deficit of \$1.4 million for the Wastewater Utility in 2009. The anticipated surplus position at the end of 2009 will be \$3.9 million.

ELECTRICAL UTILITY

General

The operation of the Electrical Utility has been under contract for the last six years. 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 2009.

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.

This is the first year the Electrical Utility will incur MFA debt, with \$3.1 million to be borrowed in 2009 for the Utility's capital program.

Financial Outlook - 2009

The **projected revenue** from sales of electrical energy and interest for 2009 is **\$26.0 million** with approximately \$21.3 Million required for operations, administration and bulk purchase costs.

The **capital expenditure program** for 2009 is **\$5,934,980** with \$2,727,260 to be funded from current year revenues. The focus of the capital program is based on a copper replacement program for \$1,840,270 along with other infrastructure improvements. A further \$43,840 is provided from the Electrical Utility for General Fund capital needs.

There is a planned deficit of \$1,918,667 projected for the Electrical Utility in 2009. The anticipated accumulated surplus at the end of 2009 will be \$2.61 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 - 2009

The **projected lease revenue** and interest for 2008 is **\$5.0 million** with approximately \$4.6 million required for principal and interest debt repayments.

There is a budgeted surplus of \$401,657 for the Natural Gas Utility in 2009 and a projected accumulated surplus at the end of 2009 of \$2.2 million.

AIRPORT

General

Airline activity continues to increase significantly with growth currently holding steady at 3%. In order to provide an appropriate level of service on going capital improvements are required.

The 2025 Airport Master Plan was completed in 2006. The 2010 Development Plan was approved by Council in 2007 and involves \$36 million of capital improvements.

In 2008 the terminal building was expanded, the runway extended and improvements made to the roadway and parking lots. In addition an integrated consulting team was retained to complete the planning, design and construction delivery of the 36 million dollar 2010 Airport Development Program approved by Council in 2007. It is estimated that this program will require approximately \$10.0 million to be spent in 2009 on a new international concourse and u-drive terminal, an apron expansion and taxiway design and Highway 97 intersection improvements.

Financial Outlook – 2009

Total **revenues** from the Airport operation are projected to be **\$17.4 million**.

The total **Capital Expenditure Program** for the Airport is **\$11,590,000**, of which \$2.7 million will be coming from reserves and \$8.9 million will be borrowed. Major capital projects budgeted are:

Heavy Equipment Storage Building	\$1,020,000
International Concourse & Terminal	\$8,930,000

In 2009 a total of \$2.1 million will be showing as debt repayment from AIF revenues with further borrowing to occur in 2009 and 2010. The 2009 Airport budget is balanced by an appropriation of \$2.5 million into the three main airport reserves. Surplus is anticipated to be \$532,773 at the end of 2009 (excluding internal financing for the AIF program).

CITY OF KELOWNA - 2008 ACCOMPLISHMENTS

Kelowna, at 113,000 continues to be one of the fastest growing municipalities in British Columbia. The regional growth rate (2006) is the highest in the province, with a 10.8% growth rate over the previous 2001 census.

The City's structure was reorganized to better serve customers. City services will be delivered by three divisions: Corporate Sustainability, Citizen Services and Community Sustainability.

The City completed a policy review of the Official Community Plan, including preparation of land use and population projections.

An estimated 1,373 development applications were received. For the first nine months of 2008 the number of building permits issued was slightly lower than in 2007 (1623 vs. 1749). The total value of the permits was \$460 million, a decrease from the \$486 million in 2007.

Building permits for new single family units total 275 during the first nine months of the year for a value of \$105.3 million. Both the number of permits and the dollar value are slightly lower than those recorded during the first eight months of 2007 (410 permits at a dollar value of \$140 million).

Several road improvement projects were undertaken in 2008, including \$10 million improvements to the east approach to the new William R. Bennett Bridge, \$9.3 million for the reconstruction of Swamp Road and \$1.5 million for landscaping the Central Okanagan Multi-Modal Corridor between Gordon Drive and Spall Road. The first phase of the Rails with Trails project between Gordon Drive and Spall Road was officially opened.

Work continued on the \$36-million airport expansion program and the \$7.7 million runway extension at Kelowna International Airport opened in November.

The City prepared bylaws to create a comprehensive development zone to revitalize a four-block area in the heart of Kelowna's downtown and created a Downtown Waterfront Master Plan which spans 1,300 metres of waterfront, connecting City, Stuart and Kerry Parks.

Community safety continues to be a top priority. Eight RCMP members were added to the detachment, including two Crime Reduction Target Team Members, four General Duty members, a Domestic Violence Coordinator, and an Organized Crime Coordinator. Parks established a summer park ambassador program to help keep city beaches cleaner and safer. The ambassadors worked closely with the RCMP and Bylaw.

Correspondence to the Mayor's office showed a dramatic increase (116%) with 1935 letters, e-mails and proclamation requests received in the first nine months of the year compared to a total of 1068 letters in 2007.

Community Involvement

The City continues to foster community involvement in many areas through the Partners in Parks, Adopt-A-Road, Adopt-A-Stream and Communities in Bloom programs.

Seventy-nine Adopt-A-Road volunteer groups were responsible for litter clean-up along 190 km. of roadway, three more groups than in 2007. Thirty Adopt A Stream groups spent a total of 926 hours helping to enhance streams.

Communications

News releases continue to be an efficient and cost-effective means of communicating with the public; 205 news releases and traffic bulletins were issued in the first nine months of the year fostering significant media coverage.

Key external communications vehicles included the weekly City newspaper ads, the 2007 Year in Review and the 2007 Annual Financial Report. Significant public consultations were conducted on the review of the Official Community Plan, the downtown redevelopment initiative, Rutland Park and Open Space Plan and the redevelopment of the former Kelowna Secondary School site.

Improvements to the City's website continue to ensure content is up to date, relevant and easily found. Interest in the City's website continues to grow, with more than 2.03 million visits in the first nine months of the year. The "ask" e-mail address receives an average of 85 messages on a weekly basis (up from 80 in 2007); reception staff handles 40% of responses within one day, forwarding the remainder to the appropriate departments.

Extensive work was completed on the development of a new corporate identity program including a visual standards guide to ensure the public is aware of all City projects, facilities and initiatives. The new identity will be launched in early 2009.

The bi-annual Citizens Survey provided feedback to help determine future spending priorities.

Departmental Highlights:

Corporate Services

- City Council endorsed the final concept plan for Central Green – a project that will exemplify sustainable planning and building practices.
- City Council gave the first three readings to a Comprehensive Development Zone bylaw outlining a plan to revitalize a four block area in the heart of downtown.
- An agreement was reached with BC Housing to provide up to 150 affordable housing units in three locations
- Grants valued at \$102,500 were issued for affordable housing
- Organized the 2008 municipal election

Financial Services

- An extensive review/update of the 20 Year Servicing and Financing Plan to reflect rising land and construction costs, which resulted in the development of a new DCC (development cost charge) bylaw to become effective in 2009
- Extensive staff time was spent developing a new integrated financial, human resource and payroll software scheduled to be implemented in 2009

Human Resources

- Approximately 224 staff pursued internal training opportunities including confined space training and first aid
- Recruitment activity remained high with staff filling 257 vacancies in the first three quarters of the year. HR staff attended six career fairs during 2008
- Implemented a city-wide flex time program to better meet employees needs and help with attracting and retaining staff
- Safety Awards of Excellence were presented to seven divisions.
- 1,239 Lost Time Injury Hours were recorded in the first nine months of the year compared to 504 in all of 2007

Planning and Development Services

- Completed Phase 1 of 2030 Official Community Plan update
- Completed Environmental Planning Program initiatives (Wildland Fire Policy, Hillside Development Audit, Waterfront Management Strategy, Sensitive Ecosystems Inventory)
- Completed Urban Design initiatives and Downtown Plan implementation initiatives (Ellis Street Streetscape, Central Green)

Recreation, Parks and Cultural Services

- An agreement was reached with the Kelowna Family Y to operate the \$46 million Aquatic Centre at Mission Recreation Park scheduled to open in the spring of 2009
- Completed the Recreation, Parks and Culture Master Plan
- Artists selected for \$200,000 public art piece adjacent to William R. Bennett Bridge and \$100,000 public art piece at new aquatic centre
- Several major park developments were completed including McCarren Park, section of Mill Creek Linear Park adjacent to Hospice Centre, two new softball diamonds at Mission Recreation Park and trails in the Southridge neighbourhood.
- Council approved the Rutland Town Centre Park and Open Space Plan.
- Significant work was completed on the development of a Mountain Bike Strategy, Stuart Park Plan and Waterfront Parks Plan.
- Approximately 1,200 pine beetle infested trees were removed from City properties; more than 1,450 seedlings were planted in affected areas.

Works and Utilities

Transportation:

- \$9.3 million on improvements to Swamp and Casorso Roads were completed, \$10 million on improvements to the east approach to the new William R. Bennett Bridge and \$1.5 million for landscaping the Central Okanagan Multi-Modal Corridor between Gordon Drive and Spall Road.
- The first phase of the Rails with Trails project between Gordon Drive and Spall Road was officially opened at a cost of \$2.4 million.

- Built 3 km. of sidewalk and 2 lane kms. of bicycle lanes

Water, Drainage and Wastewater:

- \$60 million expansion of Wastewater Treatment Facility underway – capacity will be increased from 40 million litres per day to 70 million.
- \$7 million Cedar Creek Station upgrade near completion
- \$2.1 million utility upgrade along Bernard Avenue was completed
- City staff were directed to reduce water consumption by 15% by 2012

Solid Waste:

- Landfill - \$1.6 million in construction including 1.5 km. of leachate pipe and 1 km. of road.
- Automated Curbside contract and RFP completed – roll-out planned for 2009

Environment:

- Environmental programs, including school presentations and special events, reached over 14,000 residents
- City Council adopted a Pesticide Bylaw for implementation in 2009
- Completed Sensitive Habitat and Inventory Mapping

Transit:

- Kelowna Regional Transit introduced a major service expansion including new routes and more service.
- Regional services increased by 7%.

Kelowna International Airport

- \$7.7 million runway extension completed which will allow direct inter-continental flights
- Passenger totals continued to increase at a rate of 3% at the end September

Kelowna Fire Department

- Developed a 10 year Strategic Plan
- Implemented a high rise policy
- 3500 students involved with Fire Prevention Week

RCMP

- Eight additional members added
- 10 auxiliary constables will bring the total number of auxiliary constables to 70 – the largest contingent in Canada
- New Police Records Information Management Environment (PRIME) implemented



CITY OF KELOWNA FINANCIAL PLAN 2009 - 2013

1. 2009 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.
- (3.1) The financial plan must set out the objectives and policies of the municipality for the planning period in relation to the following:
- (a) For each of the funding sources described in subsection (7), the proportion of total revenue that is proposed to come from that funding source;
 - (b) The distribution of property value taxes among the property classes that may be subject to the taxes;
 - (c) The use of permissive tax exemptions.
- (4) The financial plan must set out the following for each year of the planning period:
- (d) the proposed expenditures by the municipality;
 - (e) the proposed funding sources;
 - (f) 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 Financial Services 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 Community Charter, 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 2010 for all 2009 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. Appropriate signatures and back-up documentation are required with the transfer or amendment forms.

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.

Stewart Road



2009 Budget Calendar & Responsibilities

Description	Resp.	Required Date
1. Determine appropriate base budget impacts based on 2008 financial plan and contractual changes for 2009.	A	Aug. 25/08
2. Distribute budget guidelines and forms for modification of department goal, accomplishments and plans.	A	Aug. 27/08
3. Develop base budget in detail (spreadsheet)	D	Oct. 2/08
4. Update budget goals, accomplishments and plans. Develop performance measures by Departments.	D	Oct. 2/08
5. Develop supplemental requests, expenditure reductions, capital budget and consolidated ranking of requests.	D	Oct. 2/08
6. Establish overall City priorities for the 2009 budget year from discussions with and recommendations by the City Manager and Department Heads.	C	Nov. 3/08
7. City Manager review and prioritize capital requests, supplementals and expenditure reductions.	A	Nov. 4/08
8. City Manager overall review and prepare recommendation for Council.	A	Nov. 19/08
9. Annual budget overview to Council.	A	Dec. 15/08
10. Distribute budget package to Council.	A	Dec. 19/08
11. Council review and adoption of 2009 financial plan.	C	Jan. 7/09
12. Council review and adoption of carry-over budget projects.	C	Mar. 23/09
13. Council review and adoption of 5 year financial plan and final budget requests.	C	May 4/09
14. Council review and adoption of financial plan amendment number 1.	C	Oct. 19/09

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

2. 2009 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: the City of Kelowna Strategic Plan, The Official Community Plan, the 20 Year Servicing Plan and Financing Strategy and the 10 Year Capital Plan.

***Following is the mission statement 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**

***2004 STRATEGIC PLAN – The following information is from the
“City of Kelowna Strategic Plan 2004 Edition”***

The current **Strategic Plan** was developed in 2004 and provides the Vision, Goals, Objectives, Actions and Implementation required to shape the future of our City. The process to update the Strategic Plan was overseen by Council, the City’s Senior Management and a Project Team. An extensive stakeholder consultation process was used throughout the development process. Residents, community groups, external agencies, City Council and staff were provided opportunities to give their views on elements of the Strategic Plan. The new Strategic Plan outlines future directions for the City of Kelowna over the next five to ten years using recent trends, issues, priorities and community input. The Strategic Plan will be used for an annual priority setting process, including the development of operational work programs and annual budgets.

STRATEGIC PLAN VISION

Kelowna is a vibrant city where the agricultural and beautiful natural setting, community spirit, economic stability, and stewardship of the environment enhance the quality of life for residents.

Goals

In support of the Vision for Kelowna, the following three goals were developed:

- 1. To maintain, respect and enhance our natural environment.***
- 2. To foster a strong, stable and expanding economy.***
- 3. To foster the social and physical well-being of residents and visitors.***

These goals form the foundation on which the City’s vision has been based to ensure the positive continued development of the city.

Objectives

Each **Goal** has a number of supporting **Objectives** which must be achieved to meet the Goals and the Vision.

Objectives for Goal 1:

1. *Conserve Kelowna's water resources*
2. *Preserve and promote the enhancement of air quality within Kelowna's air shed.*
3. *Manage human impacts on our natural environment, including Okanagan Lake and the surrounding hillsides.*

Objectives for Goal 2:

1. *Aid in the growth and progress of Kelowna as a desirable place to do business.*
2. *Aid in the growth and progress of Kelowna as a desirable place to visit, shop and tour.*
3. *Increase the diversity of employment opportunities.*
4. *Commit to continued sound fiscal management.*

Objectives for Goal 3:

1. *Promote health and wellness initiatives.*
2. *Ensure the availability of fiscal and human resources to provide quality services (recreation, culture, fire, police, planning, works and utilities).*
3. *Reduce traffic congestion on city streets, Highway 97 and Okanagan Lake bridge.*
4. *Realize construction of housing forms and prices that meet the needs of Kelowna residents.*
5. *Achieve accessible, high quality living and working environments.*
6. *Provide infrastructure (utilities, transportation, parks, facilities) that keeps pace with population growth and evolving opportunities.*
7. *Sensitively integrate new development with heritage resources and existing urban, agricultural and rural areas.*
8. *Provide meaningful opportunities for a broader range of input from residents and agencies on major directions taken by the City.*

Within each department there are current year objectives, or action items, that link back to the Strategic Plan through one of the above objectives. To ensure the Strategic Plan is used as a guiding document in the City's decision making process, operational work plans including performance measures and benchmarks will be developed by the department responsible for the action item. Budget submissions and work plans for 2009 must relate to achieving these objectives and 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 included in the base operating budget each year and maintenance projects are then funded by a transfer from the base funding level. The amount included in the base 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 an alternative approval 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 are to be included in the City of Kelowna Annual Report. This report is to be provided to City Council by June 15, of the following year and presented to a public forum, in accordance with the provisions of the provincial government's Community Charter.

The current 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 goals and objectives under the 2004 Community Strategic Plan. These relate to project type works that are planned for 2009.

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.

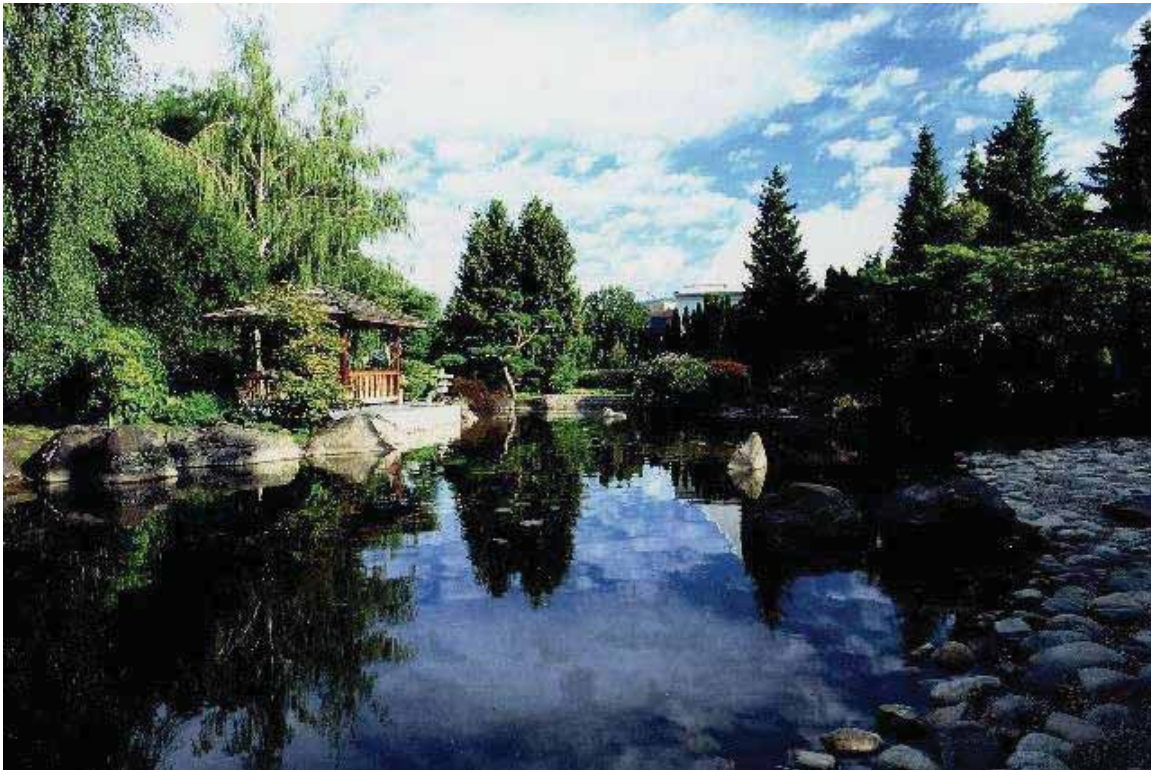
Efficiency Measures – measure the cost per unit of output or outcome. Used to determine productivity trends and provide an indication of the cost effectiveness of a program. These can be expressed as ratios of outputs or outcomes to inputs.

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.

Kasugai Garden



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:	Recreation, Parks and Cultural Services
Division:	Civic Properties
Dept Id:	Operational Buildings

The 2009 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. This is followed by a summary page highlighting the changes to the operating budget for this budget year.

Next will be the 2009 additional operating budget request 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 a service that is no longer required.

For those divisions that have a capital program, the next page will be a yellow summary sheet that indicates the 2009 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. Following that summary is a page that summarizes the capital requests in the Department's priority order.



View From Knox Mountain

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 & capital funds

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.

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, 2007 and projected balances to the end of 2009. The projected balance to the end of 2008 and 2009 assumes all budgeted expenditures in those years will be completed.

	Balance Dec. 31/07	Proj'd Balance Dec. 31/08	Proj'd Balance Dec. 31/09
<u>General Fund</u>			
Surplus	1,364,576	1,364,576	1,364,576
Statutory & DCC Reserve Funds	46,796,412	38,278,064	34,441,925
Reserves for Future Expenditures	36,449,310	14,860,883	14,918,729
	<u>84,610,298</u>	<u>54,503,523</u>	<u>50,725,229</u>
<u>Water Fund</u>			
Surplus	2,220,519	1,508,754	983,774
Statutory & DCC Reserve Funds	9,427,602	10,637,318	11,527,124
Reserves for Future Expenditures	2,253,202	2,444,876	3,007,180
	<u>13,901,323</u>	<u>14,590,948</u>	<u>15,518,078</u>
<u>Wastewater Fund</u>			
Surplus	5,697,957	5,316,156	3,906,497
Statutory & DCC Reserve Funds	19,368,542	7,582,595	5,341,701
Reserves for Future Expenditures	15,245,404	5,507,767	5,710,667
	<u>40,311,902</u>	<u>18,406,518</u>	<u>14,958,864</u>
<u>Electrical Fund</u>			
Surplus	3,184,420	687,250	2,605,917
Reserves for Future Expenditures	2,137,006	1,698,873	1,736,053
	<u>5,321,426</u>	<u>2,386,123</u>	<u>4,341,970</u>
<u>Airport Fund</u>			
Surplus / (Deficit)	(8,154,010)	532,773	532,773
Reserves for Future Expenditures	13,716,381	15,888,586	20,995,726
	<u>5,562,371</u>	<u>16,421,359</u>	<u>21,528,499</u>
<u>Natural Gas Fund</u>			
Surplus	2,920,812	3,322,469	3,862,976
	<u>2,920,812</u>	<u>3,322,469</u>	<u>3,862,976</u>
<u>Library Fund</u>			
Surplus	165,878	165,878	165,878
	<u>165,878</u>	<u>165,878</u>	<u>165,878</u>
Total Reserves & Surplus	<u>152,794,010</u>	<u>109,796,819</u>	<u>111,101,494</u>

The Airport deficit position in 2007 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. In 2008, \$16 million was borrowed for AIF projects and existing internal financing partially repaid.

Note: Some of the reserve balances include a receivable portion that is not available for use at December 31, 2008.

The impact of the 2009 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).

Description	Balance Dec. 31, 2007	Budget Expend	Contribution to Resv	Proj Balance Dec. 31, 2008	Budget Expend	Contribution to Resv	Proj Balance Dec. 31, 2009
General Reserves & Surplus							
Surplus	1,364,576	0	0	1,364,576	0	0	1,364,576
Planning Initiatives - Corporate	1,612,778	519,336	192,843	1,286,284	355,986	130,909	1,061,207
Major Facilities	2,994,287	646,310	671,727	3,019,704	751,000	534,246	2,802,951
Misc. Recreation Facilities	(7,317,987)	550,380	629,597	(7,238,770)	5,000	638,712	(6,605,058)
Park Purch/Dev't/Other Land	6,023,741	5,999,630	387,392	411,502	1,282,000	810,984	(59,514)
Upgrades/Maint. Existing Assets	3,091,602	1,871,360	122,215	1,342,457	300,000	82,774	1,125,231
Operating Exp. Equalization	3,672,372	1,773,548	822,569	2,721,393	513,568	533,236	2,741,061
Operating Rev. Equalization	1,533,434	152,020	43,722	1,425,136	130,000	172,754	1,467,891
Transportation & Drainage Cap	7,930,171	3,958,449	1,141,847	5,113,569	441,170	644,357	5,316,756
Debt Equalization Reserve	449,862	86,463	15,244	378,643	78,900	12,082	311,826
Multipurpose Facility Investment	6,007,792	1,367,010	159,728	4,800,510	0	535,415	5,335,925
Unspent Budget Reserve	10,451,258	8,850,805	0	1,600,453	180,000	0	1,420,453
Sub-Total	37,813,886	25,775,311	4,186,884	16,225,459	4,037,624	4,095,469	16,283,304
Statutory (CWME, Land, Pkg)	31,783,523	15,370,930	8,601,492	25,014,085	8,974,620	9,770,871	25,810,336
DCC Reserves	43,809,033	32,859,813	20,534,673	31,483,893	16,995,812	11,012,333	25,500,414
Water Utility Res/Surplus	4,473,721	1,059,375	539,284	3,953,630	524,980	562,304	3,990,953
Sewer Utility Res/Surplus	20,943,360	10,314,971	195,534	10,823,923	1,409,659	202,900	9,617,164
Electrical Utility Res/Surplus	5,321,426	2,971,400	36,097	2,386,123	0	1,955,847	4,341,970
Airport Res/Surplus	5,562,371	14,985,407	25,844,396	16,421,359	4,875,270	9,982,410	21,528,499
Natural Gas Surplus	2,920,812	0	401,657	3,322,469	0	540,507	3,862,976
Library Society Surplus	165,878	0	0	165,878	0	0	165,878
Total	152,794,010	103,337,207	60,340,016	109,796,819	36,817,965	38,122,640	111,101,494

This chart assumes all projects budgeted will be completed in that year but actual expenditures on some of the larger projects may be over several years so the reserve balance at the end of 2008 and 2009 should be higher than indicated above.

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
- starting in 2009, tangible capital assets on the balance sheet will be shown at cost, less amortization, less disposal
- tangible capital assets will be written down when non-contributing
- starting in 2009, amortization and write-downs of tangible capital assets will be a charge against annual income

In 2009, the Canadian Institute of Chartered Accountants (CICA) PSAB standard 3150 changes the way tangible capital assets are reported on the annual financial statements. The budgeting for amortization will be reviewed and if it can be included for 2009 the offsetting entry will be a transfer from Investment in Tangible Capital Assets.

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.



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, 2008.

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 20 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>2006 Balance</u>	<u>2007 Balance</u>	<u>2008 Balance</u>
General Capital Fund	\$7,878,000	\$35,568,000	\$46,466,000
Water Utility Capital Fund	1,535,000	1,183,000	8,725,000
Wastewater Utility Capital Fund	24,089,000	22,035,000	22,312,000
Natural Gas Utility Capital Fund	42,077,000	37,354,000	34,900,000
Library Fund	3,672,000	3,444,000	3,195,000
Airport Fund			16,000,000
Total Debenture Debt	\$79,251,000	\$99,584,000	\$131,598,000

The 2008 total debenture debt repayment amount is **\$14,278,611**.

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.

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 \$5.5 million based on \$50 per capita and a 2008 population estimate of 110,000. The City uses this borrowing method for the upgrade or construction of facilities and the purchase and development of parks. There are two projects currently funded through short term borrowing:

- AIM Integrated Financial System - \$693,400
- Cedar Avenue Property Acquisition - \$700,000

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, 2008.

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

The City of Kelowna has a loan guarantee in place for the Kelowna Family Y Centre (\$1.8 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 five capital programs that are being internally financed and their estimated balances at the end of 2008 are:

- Airport AIF Program - \$3,930,000
- Water Management Program - \$977,000
- Promontory Green Cemetery Expansion - \$172,000
- Mission Recreation Park Facilities - \$8,650,000
- North End Water System - \$250,000

Internal financing is also used in the Development Cost Charge program where a deficit in one reserve can be temporarily offset by a surplus in another reserve. Repayment to the reserve includes any interest charge.

Significant borrowing occurred in 2008 with funds received for the following projects:

General Fund: Mission Aquatic Centre \$2.0 million, DCC Roads Program \$10.4 million.

Airport: 2010 Development Program \$16.0 million.

Water: Cedar Creek Pump Station and UV Treatment \$7.75 million, Fisher Road Water System \$297,209.

Sewer: Fisher Road Sewer system \$2,021,105, Country Rhodes Sewer System \$435,038, and Clifton Road Sewer System \$267,073.

The most significant borrowing required over the next five years includes:

DCC Roads Projects – borrowing of \$10.0 million in 2010 & potentially \$6.0 million in 2011 for the Arterial Roads Program. Also \$25.0 million in 2010 for DCC Roads project with repayment from DCC reserves.

Civic Properties Projects – borrowing of \$5.0 million in 2012 and \$5 million in 2013 for a new Parkade plus an additional \$3.5 million for an RCMP Building in 2013.

Wastewater Treatment Facility – borrowing of \$30 million in 2009 and \$10 million in 2010 (repaid from DCC revenues).

Automated Collection Carts – borrowing of \$4.8 million in 2009.

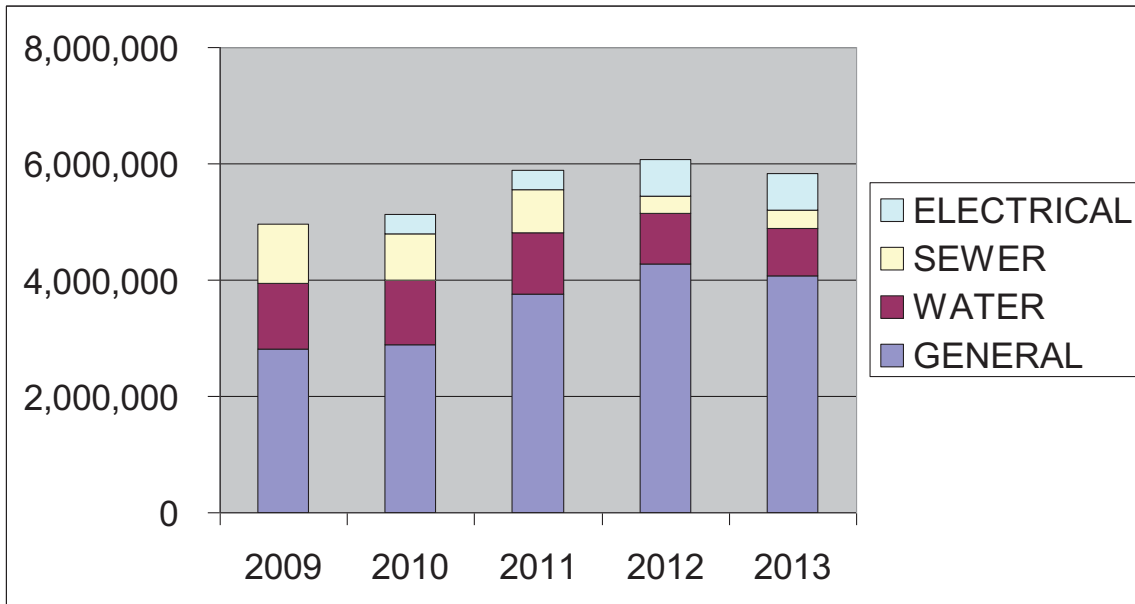
Airport 2010 Program – borrowing of \$29 million over the next three years

Further detailed debt repayment information for 2009 and future years is illustrated on the next three pages.

CITY OF KELOWNA - 10 YEAR DEBT REPAYMENT SCHEDULE

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GENERAL										
Debenture										
Principal	2,832,669	2,896,789	5,342,039	5,503,106	5,871,140	6,023,984	6,045,385	6,087,442	5,742,030	5,563,573
Interest	3,087,038	3,057,504	5,021,476	5,283,090	5,835,739	6,005,181	5,938,315	5,888,406	5,832,158	5,825,733
Total Expenditures	5,919,707	5,954,293	10,363,516	10,786,196	11,706,879	12,029,165	11,983,700	11,975,848	11,574,188	11,389,306
Recoveries	(3,502,397)	(3,466,689)	(7,005,992)	(6,964,710)	(7,881,845)	(7,866,851)	(7,848,184)	(7,829,649)	(7,376,483)	(7,186,970)
Net Debenture Debt	2,417,310	2,487,604	3,357,523	3,821,486	3,825,034	4,162,314	4,135,516	4,146,199	4,197,705	4,202,336
Other Debt										
MFA Levy	5,100	5,253	5,411	5,573	5,740	5,912	6,090	6,272	6,461	6,654
Short Term Borrowing	150,000	150,000	150,000	209,250	0	0	0	0	0	0
Temporary Debt	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
TOTAL NET DEBT (General)	2,822,410	2,892,857	3,762,934	4,286,309	4,080,774	4,418,226	4,391,606	4,402,471	4,454,166	4,458,991
WATER										
Debenture										
Principal	477,155	469,982	455,245	355,410	333,490	333,490	333,490	333,490	333,490	333,490
Interest	673,756	666,016	627,096	538,241	510,570	510,570	510,570	510,570	510,570	510,570
Total Expenditures	1,150,912	1,135,998	1,082,341	893,650	844,060	844,060	844,060	844,060	844,060	844,060
Recoveries	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)	(30,227)
Net Debenture Debt	1,120,685	1,105,772	1,052,115	863,424	813,834	813,834	813,834	813,834	813,834	813,834
SEWER										
Debenture										
Principal	3,178,905	4,677,152	4,665,617	4,421,161	4,421,161	4,385,578	4,007,693	3,966,865	3,966,865	3,966,865
Interest	3,489,847	3,924,048	3,864,566	3,596,436	3,559,663	3,518,661	3,003,167	2,971,104	2,971,104	2,971,104
Total Expenditures	6,668,752	8,601,200	8,530,183	8,017,597	7,980,824	7,904,239	7,010,859	6,937,969	6,937,969	6,937,969
Recoveries	(5,644,501)	(7,800,361)	(7,781,758)	(7,723,131)	(7,679,745)	(7,594,368)	(7,223,206)	(7,137,195)	(7,137,195)	(7,137,195)
Net Debenture Debt	1,024,251	800,839	748,426	294,466	301,080	309,870	(212,347)	(199,227)	(199,227)	(199,227)
ELECTRICAL										
Debenture										
Principal	0	156,701	156,701	306,524	306,524	306,524	306,524	306,524	306,524	306,524
Interest	0	167,868	167,868	328,368	328,368	328,368	328,368	328,368	328,368	328,368
Total Expenditures	0	324,569	324,569	634,892	634,892	634,892	634,892	634,892	634,892	634,892
Recoveries	0	0	0	0	0	0	0	0	0	0
Net Debenture Debt	0	324,569	324,569	634,892	634,892	634,892	634,892	634,892	634,892	634,892
NATURAL GAS LEGACY										
Debenture & Capital Lease										
Principal	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812	1,716,812
Interest	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448	2,896,448
Total Expenditures	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260	4,613,260
Recoveries	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)	(4,613,260)
Net Debenture Debt	0	0	0	0	0	0	0	0	0	0
AIRPORT										
Debenture										
Principal	1,332,655	3,178,926	5,579,078	6,686,841	6,686,841	6,686,841	4,840,570	2,440,418	1,332,655	1,332,655
Interest	776,000	1,311,000	2,006,500	2,327,500	2,327,500	2,327,500	1,792,500	1,097,000	776,000	776,000
Total Expenditures	2,108,655	4,489,926	7,585,578	9,014,341	9,014,341	9,014,341	6,633,070	3,537,418	2,108,655	2,108,655
Recoveries (AIF Revenue)	(2,108,655)	(4,489,926)	(7,585,578)	(9,014,341)	(9,014,341)	(9,014,341)	(6,633,070)	(3,537,418)	(2,108,655)	(2,108,655)
Net Debenture Debt	0	0	0	0	0	0	0	0	0	0
TOTAL NET DEBT PYMT	4,967,346	5,124,037	5,888,043	6,079,090	5,830,580	6,176,822	5,627,984	5,651,970	5,703,664	5,708,489

5 YEAR NET DEBT REPAYMENT

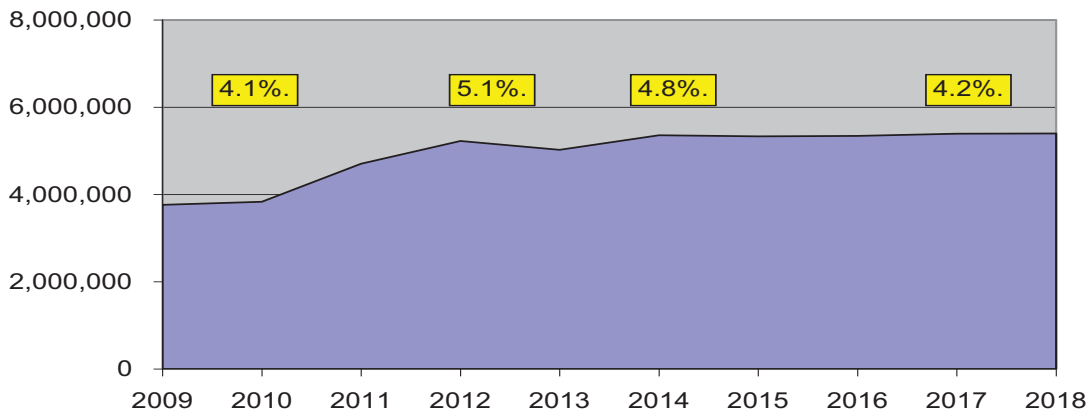


Taxation Funded Debt

Council policy has been to limit annual net debt repayment to a maximum of 5% of taxation demand. With the borrowing of \$29.5 million for the Mission Aquatic Centre and the possible requirement to borrow \$16 million for the DCC Roads program over the next three years the annual debt payment is anticipated to reach 5.1% in the year 2012. By 2013 it will be back down below 5.0% as debt is completed and the total annual taxation requirement increases. These calculations include repayment on the internal borrowing of \$11 million for the Capital News Centre.

The following chart illustrates the annual debt repayment and the percent of taxation for some of the years:

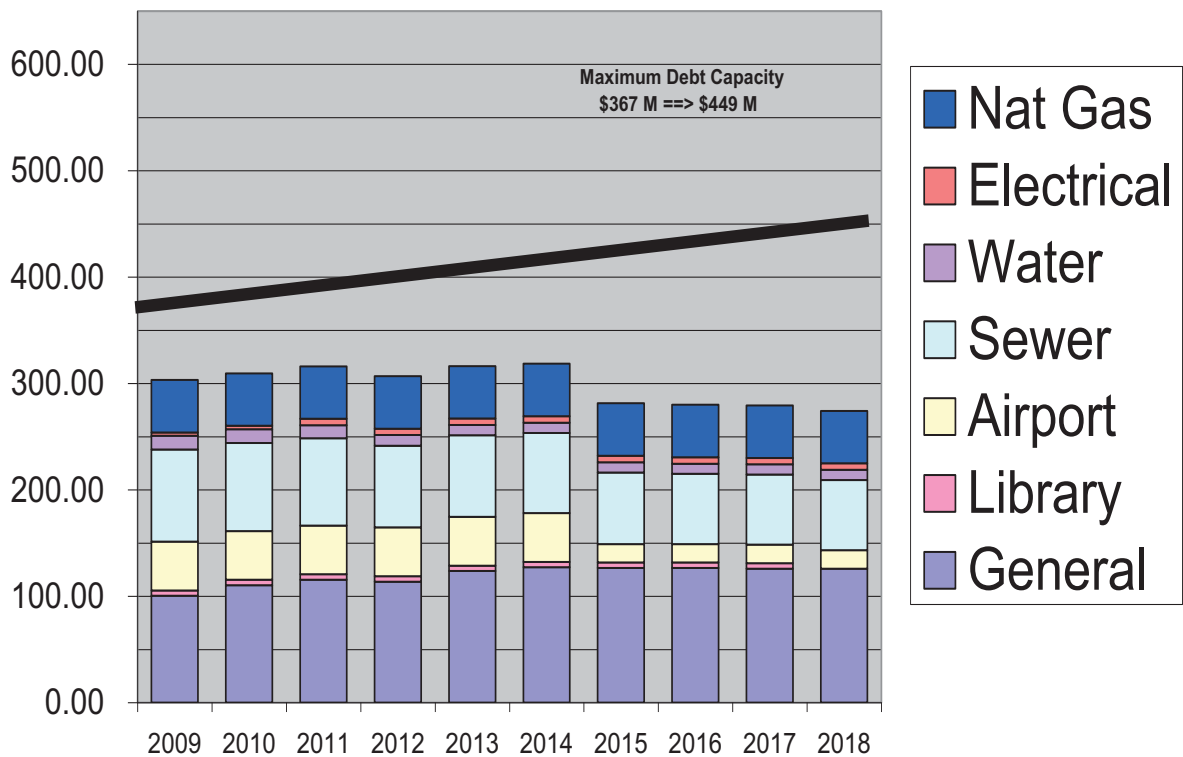
TAXATION FUNDED DEBT



The total debt servicing cost payable in 2009 is \$32.3 million including loan guarantees and unissued debt the municipality has bylaws in place for. The maximum debt that can be under taken is based on 25% of previous year revenues and using 2007 revenues the liability servicing limit is \$46 million. The remaining limit on the annual cost of servicing for 2008 is \$14 million. Using current Municipal Finance Authority lending rates and a 15 year term the unused borrowing capacity for 2009 is approximately **\$135 million.**

The following chart shows the borrowing by various funds and the maximum borrowing limit by the solid bar. In 2011 with the potential borrowings mentioned earlier the City will be within \$83 million of the maximum borrowing of \$399 million estimated at that time.

Existing Debt



8. ONGOING BUDGET IMPACTS (GENERAL FUND)

The 2009 supplemental operating requests, including expenditure reductions, will add **\$3,176,410** to the general fund operating budget. Of this total, \$48,400 are onetime requests for the year 2009 only.

Annualizing requests in the 2009 and 2008 financial plans will **increase the 2010 budget by \$262,210**.

The three largest items are:

City Management – Grants Specialist (2008)	\$50,000
Planning – Official Community Review (2008)	(\$50,000)
Transportation – Transit Mall Maintenance	\$51,700

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 \$227,500 in 2010.

<u>Impact Summary:</u>		<u>% Impact</u>
Onetime Requests	(\$48,400)	(0.05%)
Additional Full Year Costs	\$262,210	0.29%
Capital Maintenance Costs:		
Civic Properties	(\$26,500)	
Parks	\$162,000	
Transportation	\$ 82,000	
Storm Water	<u>\$ 10,000</u>	<u>0.25%</u>
2010 Budget Impact	<u>\$ 441,310</u>	<u>0.49%</u>



2009 FINANCIAL PLAN FTE SUMMARY (Salaried & Hourly)

	BUDGET 2007	ACTUAL 2007	REVISED ADOPTED 2008	FINANCIAL PLAN 2009
GENERAL FUND				
MAYOR & COUNCIL	10.1	10.0	10.1	10.1
CITY MANAGEMENT	8.4	7.0	9.2	8.9
CORPORATE SERVICES	10.6	10.0	10.5	9.6
COMMUNITY DEV. & REAL ESTATE	8.2	7.0	7.1	7.9
INFORMATION SERVICES	17.5	16.0	18.0	18.0
FINANCE	45.1	45.0	51.7	51.1
HUMAN RESOURCES	10.1	11.0	11.8	12.0
PLANNING SERVICES	21.3	19.1	22.8	23.3
INSPECTIONS	49.1	52.3	50.5	50.6
RECREATION, PARKS & CULTURAL SERV.	4.1	4.0	4.1	5.1
CIVIC PROPERTIES	15.2	14.0	15.3	16.4
CULTURAL SERVICES	7.8	7.0	7.9	8.0
SPORTS AND RECREATION	60.7	61.4	64.4	67.6
PARKS	59.8	50.6	63.3	65.9
WORKS & UTILITIES	27.0	22.0	26.9	26.9
TRANSPORTATION SERVICES	65.7	57.0	68.9	72.1
TRANSIT	0.0	0.0	0.0	0.0
STORM WATER MANAGEMENT	11.0	9.0	10.7	10.8
SOLID WASTE MANAGEMENT	21.0	20.0	23.3	28.0
STREET LIGHTS	0.0	0.1	0.0	0.0
DEBT & OTHER	0.0	0.0	0.0	0.0
POLICE	56.7	61.8	59.9	66.4
FIRE	107.6	107.3	109.7	112.2
TOTAL GENERAL FUND	617.0	591.6	646.1	670.7
UTILITIES				
WATER	27.8	24.0	27.8	29.7
WASTEWATER	41.3	37.0	40.0	40.0
ELECTRICAL	2.9	1.5	2.9	1.9
NATURAL GAS	0.0	0.0	0.0	0.0
AIRPORT	29.3	28.6	33.8	36.2
TOTAL UTILITIES & AIRPORT	101.3	91.1	104.6	107.8
TOTAL CITY OF KELOWNA	718.3	682.6	750.7	778.6

NOTE: New positions approved in the first year will only show that portion that is funded in the first year (ie. .5 or .75).

FULL TIME EQUIVALENT ANALYSIS

CITY MANAGEMENT

2007 Actual Public Consultant & Performance Strategist vacant 1FTE
 2008 Budget Grants Specialist added .75 FTE
 2009 Budget Communications Assistant added, Director Corporate Development position transferred,
 2009 Budget Communications .5 position transferred, Grants Specialist annualized .25

CORPORATE SERVICES

2007 Actuals Records Management Coordinator position vacant portion of year.
 2009 Budget Director of Corporate Services position transferred

COMMUNITY DEVELOPMENT & REAL ESTATE

2007 Actuals Project Manager position vacant 1FTE
 2009 Budget Real Estate Service Manager .75 FTE (transfer from Director of Corporate Services position)

INFORMATION SERVICES

2007 Actual GIC Technician position vacant 1FTE
 2008 Budget Annualized 2007 supp - Client Support Technician .5 FTE

FINANCIAL SERVICES

2008 Budget 2008 Supps added 6.6 term positions for Tangible Capital Asset Project
 2009 Budget Take out 2008 one-time supps 5.6 FTE
 2009 Budget 2009 Supps add 4 FTE Financial Systems Support, Clerical Relief .2 FTE
 2009 Budget Add .75 FTE Financial Planning Manager (transfer from Director of Corporate Dev't)

HUMAN RESOURCES

2007 Actuals OMMLRA Administration 1FTE
 2008 Budget Supp added Compensation Administrator .75 FTE, annualized 2007 .9 FTE
 2009 Budget Annualized .25 FTE for Compensation Administrator

PLANNING

2007 Actuals Current Planning Manager, Planner vacant
 2008 Budget Supps added .75 FTE Planner II, .75 FTE Planning Technician

INSPECTIONS

2007 Actuals Additional part time Administration and Bylaw Enforcement staffing
 2008 Budget Supps added .75 FTE Site Grading Plan Checker, .75 FTE Licence & Bylaw Officer
 2009 Budget Supps annualized .25 FTE Site Grading Plan Checker, .25 FTE Licence & Bylaw Officer
 2009 Budget Less .67 FTE One Time Clerical Relief

RECREATION, PARKS AND CULTURAL SERVICES

2009 Budget Supps added Workplace Excellence, .5 FTE, Performance Improvement .5 FTE (transfer from Communications)

CIVIC PROPERTIES

2007 Actuals Project Technician position vacant
 2009 Budget Infrastructure Cost Analyst .75 FTE, Operations 1.1 FTE
 2009 Budget Take out 2008 One-time supps: Building Repairs .8 FTE

CULTURAL SERVICES

2007 Actuals Marketing Coordinator position vacant 1 FTE

SPORTS AND RECREATION

2008 Budget Supps added 2.6 FTE for Building Operator, part-time maintenance staff, annualized .3 FTE
 2009 Budget Supps added Mission Aquatic, Outdoor events, Building Repairs 3.2 FTE

PARKS

2007 Actuals Labourer & operator positions vacant 9.0 FTE (contracted service)
 2008 Budget Supps added 2.4 FTE labourers for projects & maintenance, annualized 2007 .8 FTE
 2009 Budget Supps added Roadways, Pesticide Reduction, Park Dev 2.9 FTE, less 2008 one-time supps .3 FTE

WORKS & UTILITIES ADMIN

2007 Actuals Vacant positions - Environment 1.0 FTE, Administration 2 FTE's

TRANSPORTATION

2007 Actuals Equipment operator positions vacant 6 FTE, Traffic Engineer, Roadway Engineer, Design Tech vacant
2008 Budget Supps added 3.2 FTE; a Transit Manager and miscellaneous maintenance positions
2009 Budget Supps added various positions 2.6 FTE, annualized supps 1.8 FTE, less Budget Reduction .1 FTE

STORM WATER MANAGEMENT

2007 Actuals Labourer positions vacant 2 FTE

SOLID WASTE

2007 Actuals Compost worker position vacant 1 FTE
2008 Budget Supps add 1.5 FTE; a Landfill Attendant and wage staff, annualized 2007 .3 FTE
2009 Budget Supps added Recycle depot, Composting 4.2 FTE, annualized 2008 supps .5 FTE

POLICE

2007 Actuals Casual relief staff 5.0 FTE
2008 Budget Supps add 2.6 FTE Prime reviewers, annualize 2007 budget cost .5 FTE
2009 Budget Supps add Prime Coordinator .75 FTE, Crime Analyst .75 FTE, Vacation Relief 3.75 FTE
2009 Budget 2008 Supps annualized in 2009 - Prime Reviewers 1.3 FTE

FIRE

2008 Budget Supp adds .75 FTE Fire Inspector, annualize 2007 supps .5 FTE
2009 Budget Supps added Fire Equipment Mechanic .75 FTE, Relief Dispatchers 1.5 FTE, annualized .25 FTE

WATER

2007 Actuals Trades & labourer positions vacant 3.8 FTE
2009 Budget Supps added Standard Oper. Procedures .5 FTE, Cross Connections .5FTE, wages .9 FTE

WASTEWATER

2007 Actuals Trades & labourer positions vacant 4 FTE
2008 Budget 2007 one-time supps taken out of budget in 2008 1 FTE

ELECTRICAL

2007 Actuals Energy management position vacant
2009 Budget Budget reduction: Energy Management 1 FTE

AIRPORT

2008 Budget Supps add 2.5 FTE; 2 Airport Operations Specialists, Ass. General Mgr, Annualized 2007 .4 FTE
2009 Budget Supp added Management Changes 1 FTE, annualized 2008 supps 1.35 FTE

