

Memo



Date: December 5th, 2013
File No.: 0230-20
To: Mayor and Councillors
From: Director, Financial Services
Subject: 2014 FINANCIAL PLAN

Attached is your copy of the 2014 Financial Plan discussion document.

Department Review Sessions will begin at 8:30 am Thursday, December 12th, 2013.

A budget overview and chart presentation will be made at the regular Council Meeting on December 9th, 2013.

The schedule of review times for specific departments is on the following page. There are two schedules, Schedule A for the Operating Program, and Schedule B for the Capital Program. Based on past experience, only one day has been scheduled for the 2014 review. The review session will be held in Council chambers.

Volume 2, containing prior year carry-over projects, will be brought before Council on March 17th, 2014. Volume 3, Final 2014 changes and the 5 Year Financial Plan, will be brought before Council for adoption on May 5th, 2014.

The development of this Financial Plan follows that of previous years in terms of preparation process; however, Council will notice a more sustainable approach by using less paper. The financial information presented has, in most cases, been summarized by Division rather than by each Department.

Each request has been linked back to one of Council's "Moving Opportunities Forward" priorities.

Please review the Priority 2 submissions prior to budget deliberations as individual page turns through each Priority 2 request is not planned. Council will be asked, at each department, if there are any of these requests that they wish to deliberate.

The Government Finance Officers Association (GFOA) of the United States and Canada 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 City of Kelowna, as a member of the GFOA, 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 device*

The Financial Planning branch's outstanding efforts has resulted in the Distinguished Budget Presentation Award being earned by the City in each of the last 12 years, most recently for the 2013 Financial Plan.

I would like to take this opportunity to thank all City Divisions 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.



K. Grayston
Director, Financial Services

Encl.

cc: City Manager, Division Directors

DAY 1 - OPERATING PROGRAM

December 12th, 2013

		# of Requests			
		Operating		Exp. Reductions	
		P1	P2	P1	P2
	Section				
8:30 am - 8:45 am	Opening comments				
8:45 am - 9:15 am	Strategic Services	E	3	1	0
	Fire Department (includes Capital - Tab V)	E/V	8	2	0
	Airport (Includes Capital - Tab W)	E/W	9	0	2
9:15 am - 10:50 am	CAPITAL PROGRAM - see Capital Section				
10:50 am - 10:55 am	City Administration (CM, Mayor & Council)	D	1	0	0
10:55 am - 11:25 am	Infrastructure (Includes General Fund and Utility Funds)	F	9	9	0
11:25 am - 11:50 am	Community Planning & Real Estate	G	11	0	0
12:00 pm - 12:45 pm	Lunch Break				
12:45 pm - 1:00 pm	Active Living & Culture	H	10	3	0
1:00 pm - 1:50 pm	Civic Operations	I	37	13	1
	Electrical (cardboard cover page)	I	1	0	0
	Wastewater (cardboard cover page)	I	6	1	1
	Water (cardboard cover page)	I	6	1	1
1:50 pm - 2:20 pm	Corporate & Protective Services	J	7	0	0
	Police Services (cardboard cover page)	J	8	1	1
	Debt & Other (cardboard cover page)	J	3	0	1
	Natural Gas (cardboard cover page)	J	1	0	0
	Revenue & Fees (cardboard cover page)	B17	4	0	0
2:20 pm - 2:30 pm	Communications & Information Services	K	5	1	1
2:30 pm - 2:35 pm	Human Resources & Corporate Performance	L	3	1	0
2:35 pm - 3:30 pm	Wrap-Up & Discussion				
	Total		132	33	8
				0	

Note: The times above are a guide only and will change as required.



Memo



Date: December 2, 2013
File: 1700-20
To: Mayor and Councillors
From: City Manager
Subject: 2014 FINANCIAL PLAN

I am pleased to present the provisional 2014 Financial Plan to Council. The 2014 plan continues to respond to an economic climate in which revenues are growing at a slower rate than required expenditures. As this “new normal” economic trend continues into the foreseeable future, we will continue to focus on adapting to maintain services levels and improve service delivery.

I would like to acknowledge the effort put forth by the Leadership Team, their Managers and staff, along with the Financial Services Financial Planning team in the preparation of budget submissions. Once again, this year’s budget presented a number of challenges to deliver on our plans to grow the local economy and gives citizens the services they expect. This year’s budget balances services with taxation, recognizing that the economy continues to improve at a moderate pace.

Our objective as a local government is to give all citizens the best quality of life we can afford. For the 2014 Financial Plan, my goal is to continue to balance the community’s interest in maintaining existing levels of services while planning for significant infrastructure needs. We can only prepare for the future if we maintain a solid financial base in the present. The 2014 Financial Plan provides for basic operating cost increases and continues a strong pay-as-you-go capital program to support asset preservation and maintain our capital infrastructure standards. **The recommendation presented is for a 2.67% tax increase for 2014.**

The development of the 2014 Financial Plan has followed the focus provided by Council in their “Moving Opportunities Forward” priority setting process along with traditional citizen service demands from the Community Strategic Plan.

GROW OUR ECONOMY

Economic Situation - The global economy is slowly improving and that optimism is reflected in the local economy as several developments are preparing to move forward. The construction sector has been slowly gaining momentum as increased residential and commercial developments proceed. Canada Mortgage and Housing Corporation is projecting Kelowna area housing demand and existing home prices to edge up in 2014 as stronger employment growth occurs.

A total of 1,876 building permits valued at \$321 million were issued through November 2013. This compares to 1,779 permits valued at \$271 million in 2012. The City’s highest value for building permits was recorded in 2007, where 2,139 permits were issued with a value of \$586 million (Jan-Nov). In 2014, a revenue increase of \$100,000 is included in the Development Services area to reflect actual experience in 2013 and expectations for 2014.

Passenger activity at the Kelowna International Airport is expected to finish 2013 at a record breaking 1.5 million passengers. The Airport development plan “Drive to 1.6 Million Passengers” provides for future airport expansion over the next four years. Construction of Phase I is complete and has expanded the international arrivals, with capacity improvements to the life safety systems. Phase 2 of the program includes a new outbound baggage area and improvements to the passenger check-in area.

The City’s first ever Executive Director of Business Development was created late in 2012. This position supports Council’s focus on business development by providing a direct link between businesses and City services. Working closely with key partners such as the Economic Development Commission the intent is to facilitate new business development opportunities and support existing businesses while building strong relationships with major employers and strategic growth industries. Partnership opportunities are continually being examined and additional budget funding has been included in 2014 to advance this important initiative.

There has been significant growth at the Kelowna campus’ of the University of British Columbia and Okanagan College. Partnership opportunities with these organizations is vital as we support the provision of infrastructure required for their operations. Kelowna General Hospital also continues to expand in their provision of health care services for the region. These institutions are an important link in training the emerging generation in Kelowna’s trend to a more knowledge based economy.

Town Centre Revitalization - Several projects are included in the 2014 financial plan to provide support to various town centres. The revitalization of Bernard Avenue began in 2012 and will continue until the spring of 2014. Aside from the road works and underground infrastructure, there is a significant streetscape and pedestrian focus to the project. The look and feel of Kelowna’s downtown core has been positively changed by this project.

Phase 2 of the Stuart Park works are scheduled for 2014, demolition of the former Yacht Club building and the continuation of the waterfront walkway to further enhance the downtown waterscape will proceed in step with the construction of the new Yacht Club facility.

Construction of a new parkade and expansion of an existing one is to proceed in 2014, to help with the parking impacts of the proposed Interior Health Building. This exciting partnership will bring nearly 1,000 people into the downtown core.

In the Rutland town centre the Shepherd Road extension will improve traffic flow and provide better access to the new Rutland Transit exchange. Improvements to Centennial Park will also encourage activity within the town centre area. A community engagement and project delivery initiative in the Rutland town centre will focus actions on their priorities to strengthen growth in that area.

Expansion of the Queensway Transit exchange will improve the flow of transit service to the downtown and perhaps encourage further commercial and residential developments along the transit routes or near to the exchanges.

A parking management strategy to improve short term customer parking in various town centres will be a focus of works in 2014.

ENHANCE CITIZENS QUALITY OF LIFE

Parks and Recreational Facilities - In conjunction with development, new park construction is planned for a couple areas of the city in 2014. There are also improvements to existing parks to preserve or repair parks infrastructure. The Rutland Senior Centre has some restoration works and the Parkinson Recreation Centre will have concept design work done in preparation of future construction. Continuing with the Event Development program and also a focus on strengthening neighbourhoods is planned for next year.

Transportation - The road infrastructure renewal strategy continues through the \$2.6 million road resurfacing program budget. There are several transportation projects put forward that will assist in improving vehicular traffic, bicycle and pedestrian movement throughout the City. Sidewalk and bicycle

network construction, along with traffic signal and neighbourhood traffic improvements, will continue to emphasize active transportation and safety.

Although we were not successful for Gas Tax Grant funding, a \$7.5 million project to improve Lakeshore Road, replace the Mission Creek Bridge and provide active transportation infrastructure is budgeted to begin in 2014. Completion of the design for John Hindle Drive is a further development cost charge funded project that is planned.

Protective Services and Public Safety - Continuing the Council approved RCMP resourcing plan and crime reduction strategy will require three additional RCMP members in each of 2014 and 2015. Crime reduction targets are in place and will be reviewed each year to determine progress towards a reduction in the number of calls for service and in the crime rate.

Per member contract cost increases are lower this year, due to an adjustment to cancel \$437,000 of base salary that was previously added in response to a court action.

Work continues on a new protective services facility on Clement Avenue as we plan for the replacement of the current detachment building. The RFP for a design build contract is expected to be complete and awarded in 2014. Construction of the facility is expected to begin in 2015 with occupancy in 2017.

Additional shift coverage funding and fire equipment reserve contribution is included for the Fire Department in the 2014 budget.

FOCUS ON RESULTS

Communications - Staff continue to expand opportunities to engage with citizens on a wide variety of topics and projects. Our Communications group works with all departments to maintain a vast amount of City information online at kelowna.ca. Social media channels feed into the City of Kelowna's website to ensure convenient, mobile access to information. Communicating with citizens is essential to ensure broad awareness among residents of complex projects and initiatives. By doing this, we clarify expenditures and expectations to meet community goals for Kelowna. Continuing with e-Subscribe, 'City Views', social media, quarterly reports to Council and the annual report are some of the ways we provide information to the public. Public engagement through satisfaction surveys, open houses and other participation methods also ensure we are keeping residents and businesses informed.

New approaches in service delivery are being investigated to provide the best service in the most cost efficient manner. The Fire Department is requesting additional software tools that will support strategic decision making for the best use of staff deployment. This tool will also provide information on the most efficient placement of firefighters in the field to improve services.

DELIVER ON OUR PLAN

The corporate planning process will continue for 2014 with a more integrated approach to prioritizing projects to deliver on Council's direction and the goals of the community. Excellence in customer service and achieving results, along with a renewed commitment to pioneer new ideas for continuous improvement in our service delivery continues to be a corporate focus. A new long range capital program will be developed in 2014 to provide a more comprehensive long term capital planning tool that will lead to a fiscally healthier, less costly and more sustainable community.

Revenue & Expenditure Pressures - A focus for 2014 is to maintain the current level of service in most of the operating departments with a slight increase in service for the protective services area. The onetime expenditure reductions from 2013 were reviewed to determine if further reductions could be achieved and over \$161,000 in operating budget savings are included in this budget.

Revenues are increasing in the Development Services area (rezoning and subdivision fees) and for parking, casino revenues, Fire Department recoveries and Water/Wastewater Utilities. A reduction of revenues is forecast for payments in-lieu of taxes, in the rental properties/concessions areas and due to the sale of the Electrical Utility.

On the expenditure side most areas have slight inflationary or contract increases and increases to maintain new capital that has been recently developed. As growth and service requests increase there is a need to increase staffing in areas that previously had vacancies or are experiencing increased workloads. Efficiency changes are made and different options to provide service are examined prior to submitting a request to increase staff.

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. A sound infrastructure preservation program is a risk management issue and if ignored can be considerably more costly in the long term. We want to ensure the best value for our capital investments and the balance between the renewal of existing assets or the provision of new capital must be considered each year. A longer term capital plan along with the implementation of an asset management system will provide improved planning capabilities to ensure the City's infrastructure can support the appropriate level of service.

On the utilities side the replacement of the water and sewer mains continues on a coordinated, priority basis. Growth related requirements are provided through the development cost charge program and in 2014 the sewer trunk works on Lakeshore Road will be completed in conjunction with the road improvements.

Other Challenges

The increase in **tax revenues generated from new construction is estimated at \$1.5 Million**. This is slightly higher than the \$1.4 million received in 2013. The average new construction revenue received over the last five years is \$1.75 million. Final assessment information will not be available until April 2014 and any adjustments required to this estimate will be applied at Final Budget in early May.

The **Pay-As-You-Go capital program** is increased slightly from the 2013 level. Council strategy has been to provide 40% of new construction revenue towards the taxation capital program which, in 2014, would normally require an increase of \$600,000 to the taxation capital program. This was not able to be achieved this year while meeting the goal of reducing the taxation requirement. As a consequence, there is greater pressure on the 10 Year Capital Plan as other funding is required or projects must be deferred beyond the projected year of need. Grant funding obtained over the last few years and reserve funding has helped to mitigate the shortfall and come closer to the Council strategy.

The 2013 Final Budget resulted in a General Taxation Demand of \$103.7 Million that included a **Pay-As-You-Go capital expenditure program** of \$14.0 Million or 14% of the General Taxation Demand. The percentage is down from previous years as many projects previously considered capital are now funded through the operating component of the budget to meet mandated government reporting requirements.

The Pay-As-You-Go capital expenditure program of \$14.1 Million represents 13% of the projected General Taxation Demand of \$107.9 Million for 2014. The total General Fund capital expenditure program, including funding from all sources, is budgeted at \$38.3 Million in 2014.

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 pressures this year. These are provided in the document should Council wish to consider them further.

Reserve Position

The judicious use and replacement of reserves remains paramount to the financial health of the City. There is a long history of maintaining a number of reserve accounts and funds that 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

Reserve funding has helped the City take advantage of the grant funding in earlier years and provides the flexibility to react quickly to opportunities. However, this use has reduced the General Reserves and replacement of reserve funds to prepare for future capital projects is a challenge given the current economic conditions.

Debt Management

Although a few 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. 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. Council's adopted strategy is to keep tax supported debt servicing to no greater than 5% of each tax dollar collected.

The overall net general debt servicing costs (including internal financing) of \$4,135,100 for 2014 remains similar to 2013 cost levels. This represents 3.8% of the 2014 projected general taxation demand.

Property Assessments

The annual assessment roll has not been completed yet but preliminary indications are that City of Kelowna residential property values, on average, are **1.0% lower than 2013**. The market change for the Industrial and Business classes is expected to be approximately 2% lower than last year's value.

As occurs annually, there will be properties that experience a greater taxation impact if their property assessment increase is greater than the average for their class. Adjustments between the property classes can be mitigated by our tax distribution policy that will be presented to Council in April, 2014.

2013 Accomplishments/Future Budgets

Beginning on page A8 there is a summary of 2013 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 2013 including:

- Sustainable Community Award for the Community Climate Action Plan, Corporate Energy and Green House Gas Emissions Plan.
- Federation of Canadian Municipalities' Partners for Climate Protection Milestone 4 for both Community and Corporate Green House Gas actions.
- UBCM Awards:
 - Open for Business Award
 - Community Excellence Award for Best Practices, for the Mobile Service Request system
 - Community Recognition Award from the Canadian Wood Council
- Southern Interior Construction Association Commercial Building Awards
 - Community Merit Award for the City Park Washrooms
 - Nominated for the Community Green Award for the Parkinson Activity Centre
- The Government Finance Officers Association's **Distinguished Budget Presentation Award** for the City's 2013-2017 Financial Plan. This is the twelfth consecutive year that the City has earned the award.
- The Government Finance Officers Association's **Canadian Award for Financial Reporting** for the tenth time for the City's 2012 Annual Report.
- Kelowna is the first municipal government in Canada to have their Building Department obtain professional accreditation from the International Accreditation Services. This provides objective

evidence that an organization operates at the highest level of ethical, legal and technical standards.

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 2013 including:

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

We are fortunate to have an engaged and spirited staff who demonstrate their commitment to the community in many ways and who are contributing to the development of a great city!

A comparison with any city would show that the City of Kelowna has been a top performer with high service levels, strong fiscal management and relatively low taxation for the quality and number of services provided. This has been accomplished through great political leadership, talented hard working staff and a committed group of volunteers in our community.

The 2014 Financial Plan presents staff recommendations for the best ways to continue to provide services, infrastructure and other amenities consistent with Council priorities amid current economic conditions.

The City, as a collective team of Council and staff, continue to look for innovative ways to provide services while remaining disciplined about controlling costs in our development of a safe, active and sustainable city.

Yours very truly,



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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Kelowna
British Columbia**

For the Fiscal Year Beginning

January 1, 2013

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Award to the City of Kelowna, British Columbia for its annual budget for the fiscal year beginning January 1, 2013. 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 its eligibility for another award.

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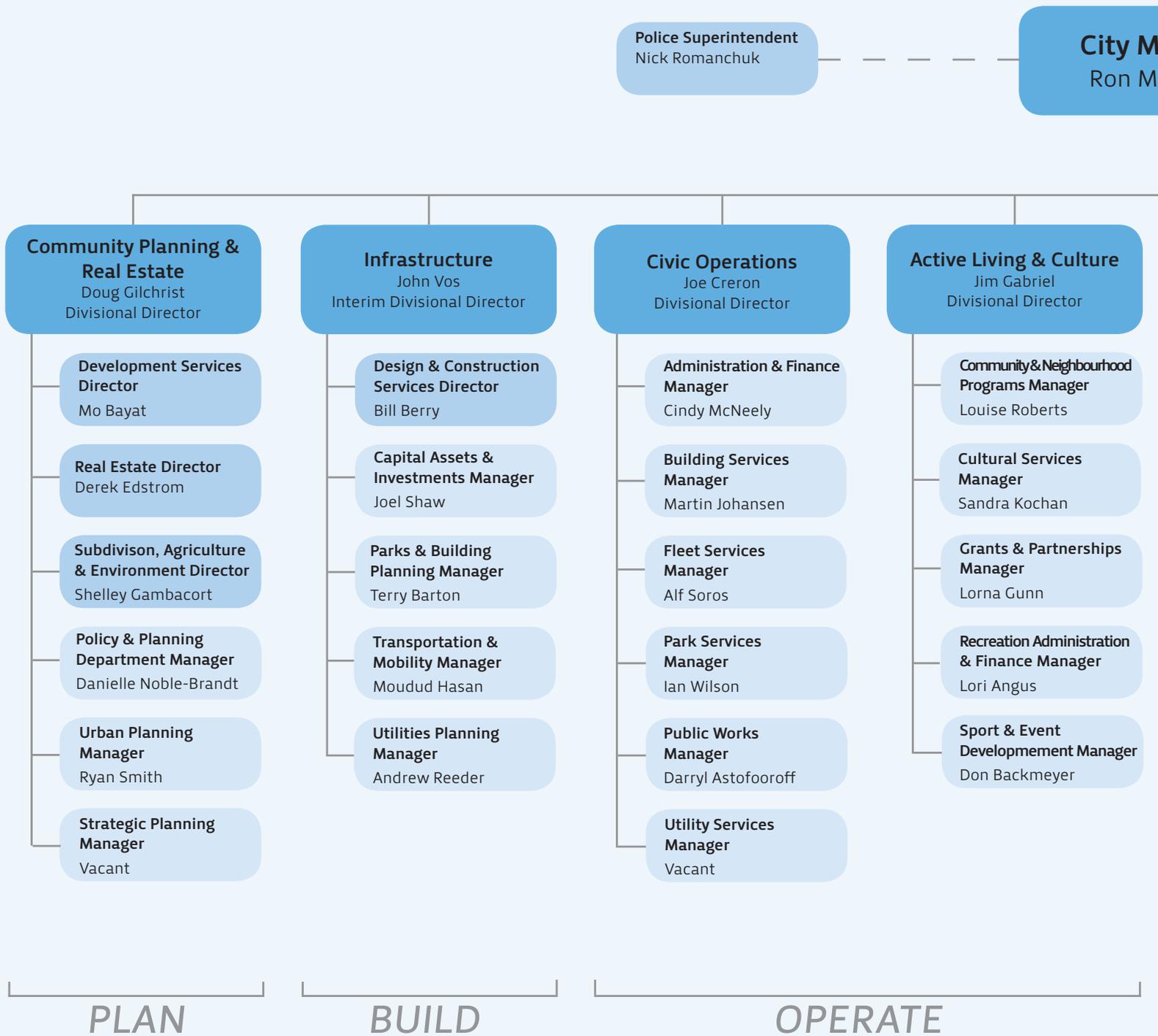
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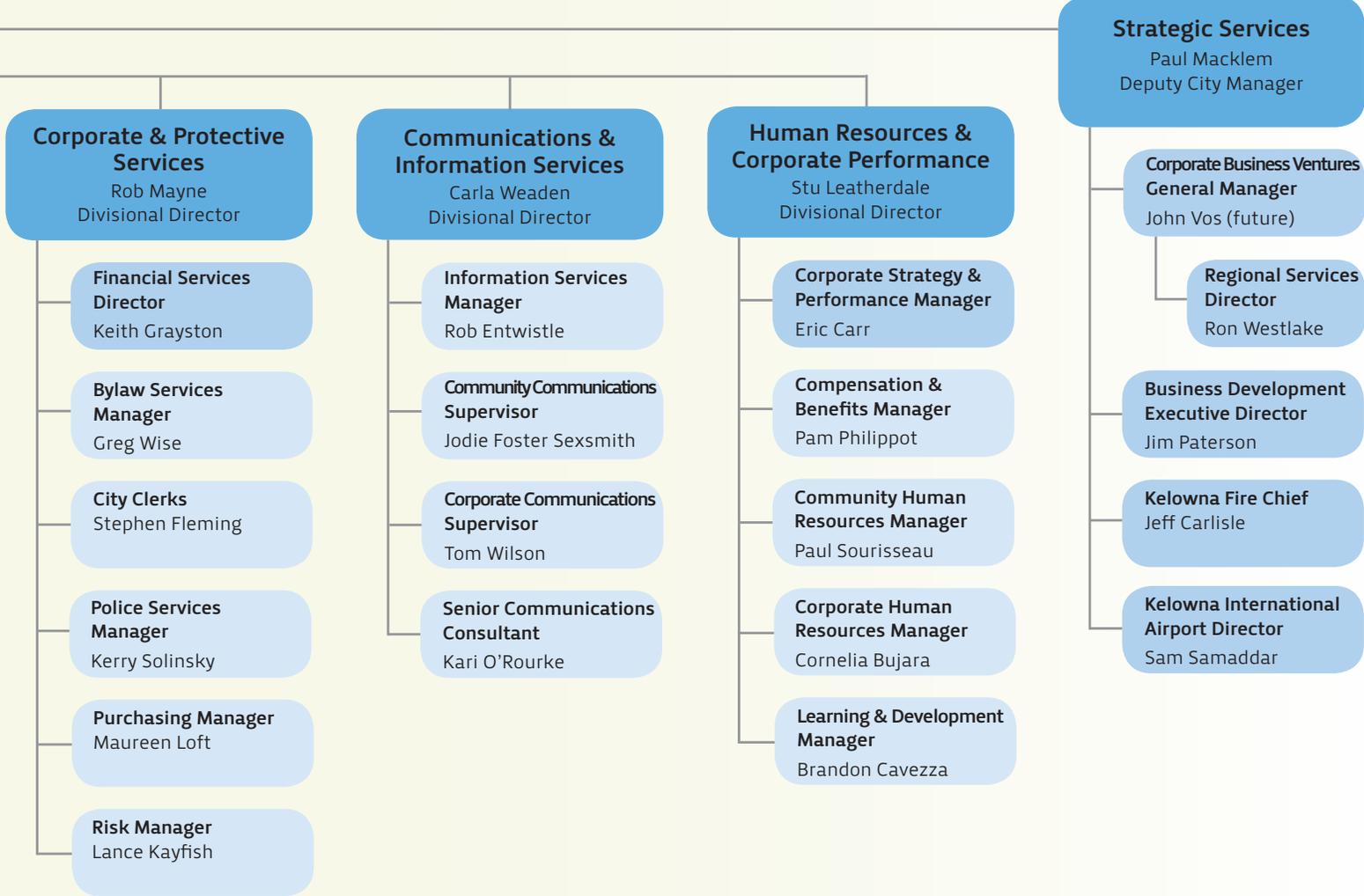
\$358,000 professional arts grants
9% of revenue from taxes
\$40M investment in our downtown
1,100m hillside walking trails in Black Mountain
5,312 participants in Bike to Work/School Week
16,500 subscribers for City e-updates
2 mobile applications
5,000 graffiti removals
1,500 road service requests completed
0 drinking water notices





COMMUNITY

Manager
Pattiusi



CORPORATE

About the City of Kelowna

Nestled in the centre of the Okanagan Valley in the Interior region of British Columbia, Canada, Kelowna is situated on the eastern shore of Okanagan Lake, mid-way between Penticton and Vernon. Kelowna is home to 118,500 citizens and 1.5 million annual visitors.

Incorporated as a municipality in 1905, Kelowna has grown to become the economic centre of the Southern Interior region. It is the commercial hub of the Okanagan Valley, and home to regional institutions such as Interior Health Authority, University of British Columbia Okanagan, Okanagan College and the B.C. Wine Institute.

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 several championship golf courses in the area and three major ski hills within a one-hour drive.

Kelowna International Airport, the largest municipally-owned airport in Canada, welcomed approximately 1.5 million passengers in 2013, placing it among the top-10 busiest airports in the country.

The city's urban centre offers residents and visitors an array of facilities and amenities to support arts and cultural pursuits, commerce and healthy lifestyles. A growing network of pedestrian and bicycle paths, along with expanding transit service and High Occupancy Vehicle lanes make it easier for residents to enjoy alternatives to single-occupant vehicle trips.

An energetic commercial community features national and independent retailers, internationally acclaimed chefs and winemakers, cutting-edge technology developers and the largest concentration of media between Vancouver and Calgary.

Kelowna's urban core is surrounded by natural beauty. Its agricultural roots as a farming and orchard community remain firmly planted – just over 40 per cent of land within City boundaries is reserved for agricultural use. The city's semi-arid climate contributes to a productive tree fruit industry and flourishing viticulture industry that specializes in high-quality, award-winning wines.

Did you know?

Kelowna covers **214 square km of land** & 48 square km of water area

Kelowna is **1,129 feet above sea level**

Okanagan Lake is **110 km** long.

The average daytime high in July & August is **27.4 C**

The average daytime high in December and January is **-0.3 C**. The **average low is -7.7 C**

Kelowna receives more than **2,000 hours of sunshine** annually.

Total annual **precipitation is 366.4 mm** (280.7 mm rain; 105.5 mm snow)

The W.R. Bennett **Bridge opened in 2008**. It is almost **1,063m long** and the only floating bridge in Canada.

UBC Okanagan opened in 2005.

Okanagan College offers university and transfer programs, a wide range of **adult education & trades** programs.

[www.](http://www.kelowna.ca/visitors)

kelowna.ca/visitors

Strategic Planning: Moving Opportunities Forward

The City of Kelowna is guided by the Community Strategic Plan, a direction set out by City Council and the citizens of Kelowna. The Corporate Plan builds the corporate capacity necessary to deliver on City Council's directions and the goals of the community. In 2013, City Council reconfirmed its Moving Opportunities Forward Strategic direction in its annual planning session. In 2014 Council will continue to focus on five established focus areas.

Grow our economy

Council will act as a catalyst for sustained quality employment opportunities and prosperity by actively pursuing partnerships, strategic investment in municipal services and infrastructure, and re-investment in existing assets.

Enhance citizens' quality of life

Council will enhance citizens' quality of life by leveraging strong financial decisions to support social, cultural and environmental initiatives.

Focus on results

Council will ensure Kelowna progresses towards its community goals through innovation.

Deliver on our plan

Council will work with citizens, partners and applicants to move opportunities forward that create value for the community.

Proactive & pragmatic leadership

Council will focus on providing pragmatic leadership to achieve key outcomes.



2013 Accomplishments

The City of Kelowna completed numerous projects and initiatives in 2013 that contribute to making Kelowna an active, safe and sustainable city – a place residents are proud to call home.

Efforts were made to strengthen our community and neighbourhoods through strategic partnerships, such as the Ministry of Transportation Infrastructure Rapid Bus project, negotiations with Shaw for public wifi hotspots and development of a Kelowna Water Supply Plan agreement with local water purveyors, as well as continued investment in enhancing our downtown.

Strong & Innovative Leadership

- ▶ Using technology to build capacity and be more efficient and responsive:
 - Activity & Program Guide is online to improve communication and make registration for programs/services easier
 - Park Inspectors are using an iPad application to document contract deficiencies; cut down on data entry and paper work
 - Irrigation staff are using iPads to access the central control system while in the field
 - Traffic sign inspections happens via iPads with a direct link to the sign inventory system
 - Utilities operations use iPads to view and adjust system parameters on the go
 - A mobile electronic building inspection booking system has made requests fast, convenient and user friendly
 - Electronic Council Agendas reduce the need to prepare paper copies, improving accuracy and making council meetings more sustainable
 - A Fleet Management System was installed in 250 City fleet vehicles
 - Implemented pay-by-phone service in all off-street parking lots with plans for expansion to all on-street meters and parkades and initiated the creation of a City-wide Parking Policy Framework
 - Piloted a successful online community engagement tool for the City Park Concept Plan
- ▶ Nurturing partnerships to benefit our community:
 - Participated in the Ministry of Transportation Rapid Bus project; meetings and working with consultant and to ensure the project doesn't have any impact on the city communication network
 - An agreement between the City and the four local water purveyors on Kelowna Integrated Water Supply Plan will result in high quality drinking water to all residents and allow water districts to apply for senior government funding
 - Implemented the MASAS-X Mapping Pilot Project. A \$20,000 Federal Grant funded a pilot project to share mapping data between Emergency Responders; Kelowna is the leader on this national inter-operability project
 - Kelowna International Airport (YLW) hosted the first advanced polling station (Provincial election in May, 2013) to be held at a Canadian airport
- ▶ Enhancing the City's knowledge base and skills to better serve:
 - Developed an internal audit program to advise senior leadership, audit committee and City Council of the highest risk activities and best value projects for review
 - Eight senior level Managers, Directors and Division Directors participated in executive coaching focused on improving leadership skills and overall department effectiveness
 - Received accreditation from the International Accreditation Service (IAS) for the Building and Permitting Branch. The Branch is the first IAS-accredited building department in Canada

Development & Revitalization

- ▶ Building strong neighbourhoods through partnerships:
 - Completed two joint servicing projects in partnership with the development community for the reconstruction of Rio Drive, including the sanitary sewer system expansion, and sanitary sewer replacement as part of the Highland Drive/Clifton Road development

- Negotiated a Memorandum of Understanding with BC Housing for a second affordable housing site at Central Green and secured an offer for all remaining development sites at Central Green
- Updated general development regulations to residential zones to increase density allowances in urban centres
- Facilitated the consolidation of Interior Health Authority administration to the downtown, which will provide operational efficiency and move more than 800 jobs to the downtown core
- Supported airport business development and launched new air service with Air North between Kelowna and Whitehorse, including cross-promotion for European travelers
- ▶ Making good on the “open for business” commitment:
 - Construction value increase of 26 per cent compared to 2012
 - Issued approximately 6,000 work permits, an increase of 8 per cent over last year
 - Issued 8 per cent more Development Applications than last year
 - Approved 200 subdivision lots, up from 77 in 2012
 - Introduced new hillside zones to facilitate progressive development
 - Facilitated land and building agreements for the new BC Housing development at Pleasantvale
 - Recipient of Open For Business Award from provincial government’s Small Business Roundtable
- ▶ Investing in a vibrant, interesting downtown:
 - Completed the approval process to build the library parkade expansion and the new Ellis Street parkade
 - Completed Phase 2 construction of the Bernard Avenue Revitalization ahead of construction schedule and began Phase 3
 - Completed the development phase of the \$5-million privately-funded Downtown Waterfront pier and marina project

Transit & Transportation

- ▶ Expanding active and sustainable options for transportation:
 - Developed and received Council endorsement of the Three-year Transit Plan which establishes short-term service expansions to meet the needs of our growing community.
 - Negotiated a tentative agreement with the Okanagan Car Share Co-op for a one-year partnership program
 - Installed flexible safety posts separating bike lane and pedestrian walkway on Lakeshore Road in vicinity of Ann McClymont School
 - Expanded traffic calming and safety crossings on the local streets and lanes around the Glenmore Elementary School to complete the Safe Routes to School program.
 - Installed green durable road markings at intersections with high vehicle/cyclist conflict areas along Springfield Road, Glenmore / Spall Roads, Richter Street
 - Completed construction of the new Rutland Transit Station including three new transit pullouts on Highway 33 in support of the RapidBus transit system
 - Four new bus pullouts were constructed on Highway 97 to support the RapidBus Transit system and the Highway 97 Express bus route
 - The Rails with Trails multi-use pathway between Spall Road and Dilworth Drive was substantially completed including a pedestrian bridge over Mill Creek. This project proceeded with funding contributions from Federal and Provincial governments
 - Completed successful trials of transit to Quail Ridge and late Night 97X service, providing more mobility options to the public
 - Completed a smartTRIPS neighbourhood travel project in the Spring Valley area of Kelowna which saw residents adopt lasting sustainable transportation habits
 - Attained record participation in community events like Bike to Work Week, Bike to School, Bike Skills Rodeos at 13 Elementary schools, record Class Rides Free transit

- participation among other successful social marketing initiatives to increase sustainable transportation options
- Developed the Strategic Transportation Partnership of the Central Okanagan (STPCO) - a strategic partnership of local and regional governments in the Central Okanagan to coordinate the regional delivery of sustainable transportation programs and projects in support of common regional policy, plans and interests
- ▶ Maintaining safe and passable roadways
 - Used an image capture system programmed to be used by snow removal staff in winter
 - Used smaller speed feedback signs on a rotational basis throughout neighbourhoods to make motorists aware of speed on local roads.
 - Completed over 100 studies for traffic calming, short cutting and pedestrian crossing requests.
 - Implemented traffic calming at Tartan Road, Morrison Road, Country Club Drive, Lawrence Avenue, Snowsell Street, Belgo Road, Rio Drive, Park Avenue at Abbott Street, McCarren Avenue at Main street, Sunset Drive at Manhattan Drive and Ridgeway Drive at Little Avenue
 - Trained staff and standardized the data collection process through video detection to help answer traffic inquiries and provide solid data for decision-making about signal timing
 - Responded to more than 1,500 roadway and 5,000 graffiti service requests in a timely manner
 - Undertook a Household Travel Survey to collect data on the regional travel patterns of residents for the purposes of monitoring transportation patterns in the region to assess and evaluate policies and plans

Recreation & Parks

- ▶ Making active living available to all:
 - Redeemed 15,200 Recreation Opportunities Coupons, \$26,500 in program registrations, and offered 213 programs for individuals with disabilities
 - In a partnership with a neighbourhood developer (Melcorp), the Black Mountain neighbourhood is now enhanced with 1,100 metres of hillside walking trails including viewpoints from the top of a local hill offering panoramic views of the city and valley
 - Approved and developed an operating agreement for the Kelowna United “Soccer Dome” to be created at Mission Recreation Park
- ▶ Maintaining and expanding outdoor public spaces
 - Approved a Temporary Use Permit and License of Occupation for a Paddle Center on Abbott Street
 - Worked with Cricket Club and Parks for the development of a Cricket Batting Cage
 - Maintained and operated new landscaping and parks including Lawrence Avenue boulevards, medians at the Ponds and Highway 97, Cedar Creek pumpstation landscaping, Farron traffic island, H₂O Fitness + Adventure Centre parking lot, Mountainside Park, Hill Spring Park, City park washroom and landscaping, Barlee Park, Shetland Park and detention pond, Poplar Point shoreline restoration, Parkinson Activity Centre landscaping, Dewdney beach access, Lochview trail/beach access, McKinley Mtn. Park, Southridge open space trails, and new pathways at the Ponds Gopher Creek and Phase 3 of Powerline Park
 - Completed construction of the next phase of a multi-year Apex Trail Restoration project in Knox Mountain Park
 - Completed Mountainside Park in partnership with Kettle Valley Properties

Art, Culture & Heritage

- ▶ Providing grants to encourage art and culture opportunities in our community

- Distributed \$110,000 in Operating Grants to 16 organizations providing heritage, music, theatre, visual arts, youth and multicultural services and programs
- Distributed \$65,000 in Project Grants to 13 organizations, including 8 new projects.
- Distributed \$358,000 in Professional Arts Grants to 4 groups, representing an increase of \$15,000 from 2012
- Distributed \$7,500 in Community Public Art Grants for 2 community public art projects
- Distributed \$10,870 in Sport Event Development Grants to 8 sport events
- Distributed \$16,000 in Athletic Excellence Grants to 49 athletes
- Created the one-time Event & Festivals Grants, including the City Offset Grant that allocated 6 grants totaling \$19,000 and the Strategic Fund that approved \$10,000 towards procuring the 2014 Skate Canada International Event
- ▶ Supporting art and cultural tourism in Kelowna
 - Assisted the staff and Board of Directors of the Rotary Centre for the Arts in preparation of a five-year Business Plan to enhance the Centre’s long-term sustainability
 - Attracted the national artsVest™ program to the Central Okanagan, which directly benefits 25 non-profit arts and culture organizations through more than \$93,000 in matching grants
 - Hosted the second Arts & Culture Summit which attracted over 110 registrants from the Okanagan Valley region
 - Increased local participation in national Culture Days by more than 50 per cent over 2012
 - Kelowna International Airport launched the public branding and advertising program for the OkanaganBucketlist.com, a five-year advertising commitment with the Thompson Okanagan Tourism Association

Conserving our Environment

- ▶ Creating efficiencies in City facilities:
 - Purchased and received a new landfill compactor that will increase the life expectancy of the landfill by 10 to 14 years, as it delivers maximum compaction in minimum time
 - Partnered with Fortis Gas for the sale of methane landfill gas (LFG) to the Fortis pipeline
 - Reduced energy demand at the Wastewater Facility (WWTF) and developed a detailed plan to move forward with the initiatives highlighted in the Fortis Energy Evaluation and Gas Tax funding will be used to implement these initiatives (completion by April 2014)
- ▶ Building environmental thinking into policies and practices:
 - Received the Federation of Canadian Municipality’s (FCM) Sustainable Communities Award for the Community Climate Action Plan and Corporate Energy and Green House Gas (GHG) Emissions Plan
 - Received FCM’s Partners for Climate Protection Milestone 4 for both Community and Corporate GHG Actions
 - Updated Irrigation specifications submitted for incorporation into the Subdivision Bylaw
 - Worked with the Regional District of Central Okanagan Waste Reduction Office to provide two separate comprehensive waste audits
 - Negotiated the protection and acquisition of key natural areas and trail infrastructure at Hiawatha, Manteo, The Ponds, Wilden and Kirschner Mountain properties

Protective Services & Safety

- ▶ Being proactive to meet the needs of the community:
 - Responded to emergency flooding along the bank of Mission Creek to avoid damage to City-owned property

- Completed the indicative design of the RCMP building and preparations to obtain citizen approval to borrow to construct the new RCMP facility on Clement Avenue
- ▶ Reducing crime through strategy and partnerships:
 - Overall crime statistics are down. The crime rate target for 2013 is 106 criminal code/drug cases per 1,000 population. Police Services has met and exceeded this target with the crime rate at 70 criminal code/drug cases per 1,000 population. Organized Crime continues to be a target for Police Services
 - Provided communications support for the Regional Emergency Operations Centre
 - As part of new BC Building code, supported the Fire Department’s development of a 10-minute response area
 - Developed close working relationships with other local units and outside detachment units to share information serious crime investigations
 - Established Bylaw Services Monitoring and Safety Tracking Services and transitioned service for Kelowna’s Bylaw Officers from the RCMP to the Regional Fire Dispatch Centre to ensure ongoing officer safety and links to other emergency responders
 - Introduced a door-to-door Smoke Alarm Campaign targeting mobile home parks
 - Worked with the McKinley Landing Residents Association to complete a Neighbourhood Emergency Plan
 - Coordinated response to Flooding and Freshet events
 - The Regional Emergency Program supported District of West Kelowna with improvements to McDougall Creek and Regional District of Central Okanagan with Mission Creek cleanup following flooding in Joe Rich
- ▶ Improving safety and emergency processes:
 - Received the WorkSafeBC and BC Municipal Safety Association Certificate of Recognition
 - Kelowna International Airport hosted and participated with 442 Transport and Rescue Squadron of the Royal Canadian Air Force from 19 Wing Comox in a multi-agency Search and Rescue exercise to strengthen regional inter-agency emergency preparedness coordination
 - The Regional Emergency Program coordinated ‘Operation Educate 2013’; a table top exercise for the Emergency Operations Centre (EOC) and Emergency Responders, practicing an Active Threat Incident
 - The Emergency Program arranged 12 presentations and assisted in delivery, training almost all RCMP members in the Central Okanagan on the Emergency Program and Emergency Social Services
 - Received a National Fire Protection Association scholarship for the “Remember When” senior citizen fire and fall awareness program

Connected & Engaged Community

- ▶ Communicating with residents and keeping them informed:
 - Finalized the City’s public engagement strategy
 - Conducted a community survey to better understand the communication habits and needs of Kelowna residents
 - Continued to keep residents informed through local media relations and the City’s own news delivery systems via daily updates at kelowna.ca
 - Continued to expand engagement with residents on social media
 - Produced a number of corporate publications including the Annual Report, quarterly City Views, CityScapes (internal) Year in Review and YLW Connection
- ▶ Making services and information more accessible:
 - Completed installation of North Backbone fibre optic cable, which allows us to move data at 100x faster speeds and significantly reduces monthly communication line costs

- Enhanced the Service Request System to allow citizens to be able to track their requests
- Developed mobile applications for the Service Request system (kelowna.ca/mobileSR) and for the airport (ylw.kelowna.ca/mobile)
- Began negotiations with Shaw to provide wifi hot spots throughout the city
- Developed and implemented the new public “Get Connected” informational notice program improving the way the City communicates with the public regarding applications
- Developed a new City Intranet site for more efficient internal and corporate communications
- ▶ Providing business and tourism opportunities:
 - Delivered the Neighbourhood Walking program, Park & Play and Dancing in the Park, including participation in 17 Neighbourhood Association events, School/PAC events, Downtown Kelowna Association events and park openings
 - Set new record for Airport passenger traffic in 2013 - growth rate of approximately 2.5% over 2012
 - Implemented the new patio seating/café extension program for the revitalized Bernard Avenue
 - Increased the number of food and activity concessions in the City with 5 new operators
 - Explored new opportunities to expand programs for Chronic Disease Self Management, Preventative Health, and Community Health, made possible through building relationships with the Interior Health Association, Division of Family Practice and by collaborating with community organizations

Sound, Financial Management

- ▶ Finding opportunities for alternative funding sources:
 - Received \$1.9 million in grant funding
 - Developed an internal departmental grant application process when seeking external funding
 - Developed and implemented of a Sustainable Purchasing Policy
 - Reached an agreement with Pulse Media Group to sell Kelowna International Airport advertising and began implementation of a three-year capital program to replace old infrastructure with new electronic advertising and products
 - Finalized the Electrical Utility Restructuring Opportunity with FortisBC, generating \$55 million in revenue
- ▶ Reducing costs:
 - Implemented a solution to distribute load over multiple, less expensive, internet feeds, saving the City significant increases in Internet costs

GENERAL FUND HIGHLIGHTS

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 2014 Financial Plan has been projected at \$11,625,620 as compared to \$11,931,235 for 2013, a decrease of \$305,615.

The following are some of the more significant changes to projected General Revenues for the 2014 budget year: **General Revenue** changes includes a \$10,000 increase for school site acquisition and decreases of \$67,515 for amounts received from Utility Companies in Lieu of Taxes and \$26,120 for monies received for Grants in Lieu of Taxes, for Federal, Provincial and Municipal properties. **Provincial Gaming** revenues are being increased by \$100,000 to \$3.85 million in the 2014 financial plan to reflect actual experience. 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

Taxation demand, on existing property owners, represents the difference between net 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 **\$1,500,000**. The actual new construction assessments will not be available from B.C. Assessment until the second quarter of 2014. New construction revenues are used to reduce the overall tax demand impact.
2. Although the overall taxation demand has increased from **\$103.7 Million to \$107.9 Million**, or 4.11%, the **average impact on existing property owners**, taking into consideration the revenue generated from new construction, is **2.67%**.
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. Further analysis will be required when B.C. Assessment provides the Revised Assessment Roll in the second quarter of 2014.

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. As part of the budget process, departments perform a thorough review of operational budgets. Reductions due to service level reductions or service eliminations,

additional revenue generation through fees and/or charges increases, and reductions resulting from process changes are included in the financial plan requests.

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 that may be of interest to members of Council, nor are they listed in order of priority. A more detailed review of the budget on December 12th, 2013, will provide additional information.

2014 Financial Plan Impacts

The annualization of operating costs approved in the 2013 budget will add \$80,212 to the 2014 Financial Plan. Onetime requests approved by Council in 2013 have reduced operating costs for 2014 by \$296,960 and \$577,320 has been added back into the 2014 financial plan for expenditure reductions that were approved in 2013 for one time only.

In the preparation of 2014 operating requests, departments were asked to perform detailed reviews of their operational budgets. Expenditure reductions of \$161,550 were accepted into the financial plan to support net operating requests of \$3,490,382.

Following is a summary of the net operating impacts for 2014:

▶ 2013 Net Operating Budget	\$101,529,455
▶ Add: 2013 One Time Requests & Expenditure Reductions (Net)	280,360
▶ Add: Annualized Requests (prior years)	80,212
▶ Add: 2014 Base Adjustments (detailed in the departments)	227,641
▶ Add: 2014 Requests (operating requests & expend. reductions)	3,328,832
▶ 2014 Net Operating Budget	\$105,446,490

Salaries, Wages and Fringe Benefits

1. Contracts for C.U.P.E. staff are in place until December 31, 2013, and renewal negotiations are expected to start in the first quarter of 2014. The Airport CUPE collective agreement is for the period 2010-2014 and the 1.5% increase for 2014 is reflected within the Airport's budget. The collective agreement with the IBEW also provides for a 1.5% increase in 2014 that is reflected in the budget. The I.A.F.F. (Fire Fighters) bargaining unit contract expired December 31, 2012 and negotiations are not scheduled at this time. Delays of several years in settling IAFF agreements, is common throughout the Province due to the current bargaining structure. Appropriate changes for step increases were applied and are included in department operating changes.
2. Fringe benefit load factors that are reflected throughout the divisional operating budgets, have not been changed from 2013 levels.

R.C.M.P. Contract

The 2014 General Fund Police contract staffing is at **165 members** with a budgeted vacancy factor for one member. The 2014 **average cost per member** has been budgeted at **\$149,100**, which is an increase of \$4,050 from 2013. The per member increase requires an additional \$656,100 for 2014. This amount represents changes to salary costs and Division administration.

Provision of police services through the Reserve Policing and the Auxiliary programs is intended to be continued this year. The reserve program allows the department to quickly fill vacancies or staffing shortages by using a fully trained reserve officer. Both programs are especially valuable during the busy summer policing season. The reserve program does not have specific budget but is funded by vacancies within the regular member contingent, if the situation arises.

As mentioned earlier, the casino revenue sharing from the Province is reported within the RCMP budget and has increased by \$100,000 to \$3.85 million for 2014.

Additional Staffing - Operating Requests - All Funds

In the current economic climate, the City has been working on maintaining staffing levels and replacing vacant positions only on a priority basis. Again for 2014, vacant positions have been reduced by holding them vacant throughout 2014. Staff additions require a written justification and City Manager approval. Continuing with this philosophy, 2014 budget requests for new staff positions were required to be submitted with a full business plan prior to the determination of the priority ranking of the request.

As a result of continuing economic conditions, the City continues to adhere to controlled recruitment practices and in the 2014 financial plan there is a number of priority one requests for new staff positions. Additionally, expenditure reductions will reduce the numbers of full time and part time positions either on a permanent or temporary basis.

Within operating requests there are two one-time requests: one (1) term Manager, Strategic Land Development - Special Projects who will monitor the Kelowna Pacific Railway bankruptcy and other redevelopment initiatives; one (1) term Computer Support Technician at Police Services to assist with computer upgrades and "help desk" issues.

The ongoing requests are: One (1) new Parking Services Manager position that supports the reorganization of the management structure within the Community Planning & Real Estate Division. The current Parking Operations Coordinator position will be put on hold while the new position assesses departmental requirements. One (1) new Traffic Technician to address the increased workload from traffic safety concerns and to review traffic management plans. One (1) Pump stations Operator to ensure the operation and maintenance of the eleven (11) new facilities added over the last four (4) years and to meet current regulations for Worksafe BC. One (1) new Operations Clerk - Police Services to provide assistance to the existing Transport Maintenance Coordinator who manages the fleet of police vehicles. One (1) Application Systems Manager for the Information Services department who will be responsible for the Enterprise Resource Planning system (ERP), Electronic Data management system (EDMS), and other application systems. One (1) Communications Advisor who will support the Infrastructure Division. One (1) Human Resources Co-Op Program student, who will increase the HR administrative capacity. The impacts on the budget for these positions are less than one hundred ten thousand (\$110,000) for 2013 because majority of funding sources are from: reserves; position on hold; delayed start; increased revenues; reallocated expenditures; water fund.

The Water Utility contains one, one-time expenditure reduction for the Water Quality Technician position that is currently being managed by hiring a summer student during the high demand season and having a Storm Water Quality Technician fill in during the winter. If all duties can be completed in 2014 with this process then an ongoing reduction will be submitted for the 2015 provisional budget. Related to declining construction levels, there is one (1) full time position being held vacant for 2014 in Policy and Planning.

The 2012 budget approved hiring three (3) additional RCMP members in 2014: the hiring is scheduled for March 1 therefore a one-time savings of seventy four thousand five hundred fifty dollars (\$74,550) has been included in the 2014 budget. The pilot to hire a summer student, in lieu of full time replacement for the Water Quality Technician will be continued into 2014 resulting in a one-time, fifty thousand dollar (\$50,000) reduction.

There are a number of additional wage dollars being added throughout various operating requests either on an ongoing or one-time basis. Generally these additional wage amounts result in an increase in the available hours for current and seasonal staff to work but may result in additional hires as deemed necessary due to operational needs.

Other Division and Departmental Operating Highlights

The financial plan includes a number of Priority 1 Operating Requests, of which \$3,649,017 is being funded from taxation. Worth noting here is that 57% of this is made up from only 2 requests - the increase in the **police services** contract of \$270,590 and the provision for known or contractual obligations in **other working capital** of \$1,820,267. The rest of City departments have a total of \$1,558,160 allocated between them. In 2014, departments have submitted expenditure reductions providing for a reduction of \$161,550. Some of the more significant changes to the departmental operating budgets for 2014 (that have not been discussed previously) are as follows:

1. Community Planning & Real Estate Division

Development Services is projecting growth in 2014 revenues for the permitting and inspection area, an increase of \$100,000. This projection will be closely monitored in 2014 and determined if it can be changed to ongoing in 2015.

The **Policy and Planning** department is working with other community stakeholders on the “Rutland Renaissance” community engagement and project delivery initiative that will advance the revitalization of Rutland Town Centre. This initiative requires \$110,000 for 2014.

The **Real Estate** department is projecting a decrease in rental property, concession and kiosk revenues of \$136,750. This decrease recognizes fluctuating rental revenues due to changes and sale of property in the rental property portfolio.

2. Active Living & Culture Division

The **Cultural Services** branch is requesting an ongoing \$25,000 increase to the Rotary Center for the Arts operating grant. A \$10,000 request for the Cultural Plan implementation is required to fulfill independent and partnered projects. Hearing Assistance technology updates are required at the Community Theatre in the amount of \$8,000 and this is funded from reserve.

The **Sport and Event Development** branch is pursuing the creation of an Event Development Fund in the amount of \$50,000 that will support outdoor events. It is split into two \$25,000 funding options: City services offset grant and Strategic Event Fund.

The **Community & Neighbourhood Programs** branch is planning for the development of a Strong Neighbourhood Strategy for 2014 and 2015. Their efforts are focused on building a more resilient community by engaging, empowering and connecting neighborhoods. This request is for \$40,000.

3. Civic Operations Division

The **Building Services** branch of Civic Operations will be requesting \$11,560 in budget for lift station maintenance at Waterfront and Mission Recreation Park. It is also looking to improve the lighting control at a cost of \$2,500 at the Apple Bowl, Artificial Turf, Mission Softball and East Kelowna facilities.

The **Parks Services** branch of Civic Operations is requesting new contract services for the Glenmore Area Parks in the amount of \$60,000. Funding from reserve in the amount of \$70,000 is requested to update the Cemetery's 10-year business plan and associated infrastructure plan. Funding of \$250,000 of which \$200,000 is expected from Provincial grants is requested for Forest Fire Risk Reduction initiatives.

The **Public Works** branch of Civic Operations is projecting a \$33,000 increase in road usage permit revenues. The gravel pit is requesting \$65,000 for a scale and upgrades to existing onsite facilities, funded from gravel replacement reserve. The traffic signals branch is requesting mandatory traffic equipment certification and training. Glengrow product sales revenues are projected to increase by \$45,000.

Utility Services in Civic Operations is increasing projecting a reduction of \$91,000 in Ogogrow revenues. An ongoing \$175,000 request to purchase HOG fuel for the composting of biosolids is required which will reduce the odour reports.

4. Corporate and Protective Services Division.

The **Financial Services** department is requesting reserve funding of \$25,000 to implement the Public Sector Accounting Board requirements for reporting on contaminated sites. Utility Billing contract changes to reflect actual experience are included that result in no taxation impacts.

The **City Clerks** require one time funding of \$10,000 to support the 2014 Municipal Election.

The **Bylaw Services** branch is requesting \$5,000 to fund changes to the call centre and a reduction of \$40,000 in penalties and fine revenues.

Police Services has increased contract services costs of \$270,590 from indirect costs such as pensions and national programs. A request for \$42,330 for an operations clerk who will provide ongoing assistance to the transport maintenance coordinator. The contract cost for the guarding of prisoners has increased by 4.3% resulting in a taxation cost of \$26,000.

5. Communications & Information Services Division

The **Communications** department has requested an ongoing communications advisor position that is funded through 70% capital and 30% operating. The department also has a reduction of \$4,000 in newspaper advertising costs.

The **Information Services** department has experienced increased software and hardware maintenance costs of \$24,560 and plans to use the new Microsoft licensing option with a 2014 cost of \$42,300. This new licensing model will save \$75,000 over three years. Inter Building Fibre Communication lines are planned for City Hall, Enterprise & Water Street Fire Halls, Yards and Parkinson Recreation Centre and cost increases for this project have increased funding requirements by \$24,220.

6. Human Resources & Corporate Performance Division

The Human Resources department is requesting to use the student co-op program every year for the term January to September in order to assist with administrative workload and provide effective customer service to the organization. Collective bargaining for three agreements is planned for 2014 and the cost of \$10,000 is funded from reserve.

7. Strategic Services Division

The Fire Department continues to find operational solutions for the challenges of being over budget in overtime however require an additional \$50,000 in 2014 for shift coverage to help mitigate this issue. Funding of \$47,130 is requested for ongoing maintenance of the software used for predictive modeling and deployment. Onetime funding of \$15,000 is requested to upgrade the firefighter breathing apparatus so that Bluetooth communication technology can be used between firefighters.

Regional Services transit base operating costs have increased and the new Sustainable Transportation Partnership of the Central Okanagan (STPCO) is now in place with additional partners being Districts of Lake Country, Peachland and Westbank First Nation. Additional funding from reserve and revenues is required to expand the current Transportation Demand Management program to include social marketing in three new areas and additional administrative support.

In addition to the Operating Requests included in the 2014 financial plan, there are 31 **Priority 2 operating requests** totaling **\$1,205,870** which are not included in the budgetary totals, however they are included in the document for Council's review.

CAPITAL EXPENDITURES

2014 Capital submissions are coordinated by the Infrastructure Division with the integral involvement of all departments with capital needs and with particular collaboration with Design and Construction Services, Real Estate, Building Services, and the Civic Operations departments. While the Infrastructure Division is responsible for the planning component of the Capital Plan, the Design & Construction area will design and build projects and the Real Estate, Building Services, and Civic Operations areas will be responsible for the operating function at project completion.

The Infrastructure Division is working toward a **multiple bottom line** approach to the Capital Program as well as implementing a full **Total Capital Renewal Cost** calculation for all submissions. This will help in establishing future commitments and awareness of projects being recommended. While these two approaches are still in their early development stages, work will continue throughout the coming years to reach this goal.

The move toward an integrated Asset Management System began in 2012 and will continue over the next number of years. The 2014 financial plan contains budgetary components of this project implementation which includes software and staffing impacts. An update to the 2009 Ten Year Capital plan was completed in 2012 and this updated plan encompasses 8 years (2013-2020) to coincide with 3 municipal election terms.

Again this year, all capital submissions from departments were evaluated against Tangible Capital Asset criteria. Where submissions were deemed to not meet the criteria, requests are included in the

operating program. The 2014 General Fund **Capital Expenditure Program** (not including the Airport and Utilities) is **\$38.3 M** of which **\$14.1 M** is projected to be funded from **general taxation sources**.

The **general taxation contribution** to the capital program (as described above) has increased by \$41,340 over the **2013 Final Budget funding level of \$14.06 M**. The 10 Year Capital Plan assumption that 40% of new construction revenues will be allocated towards the pay-as-you-go capital program would result in a 2014 Capital program expansion of \$600,000, however, as the economy is slow to recover and where a small number of specific programs required considerable operating increases, executive management looked to find a balance between the number of capital projects and the requirements of the operating program.

The following are some of the highlights of the 2014 Capital Expenditure Program:

General Fund Program

1. The **general taxation** expenditure of **\$14.1 M**. has been allocated to departmental budgets as follows:

Real Estate	Land Acquisition	\$ 341,500
Building Capital	Facilities & Impr.	1,375,000
Parks Capital	Park Land/Trail/Area Devel.	3,098,700
Transportation Capital	Roadways/Pathways/Traffic Signals	7,919,120
Storm Drainage Capital	Drainage Systems	415,000
Street Lights		100,000
Information Services Capital	Communication Hard/Software	611,810
Vehicle & Mobile Equipment Capital	Transportation Equipment	141,000
Fire Capital	Fire Equipment	100,000

Funding from other sources other than taxation is **\$24.2 M**.

2. There is \$1.0 M included for **general land acquisitions**, \$500,000 for land for the future construction of **John Hindle Drive** and \$800,000 for the **Shepherd Road extension**, \$200,000 for **building demolitions**, and \$585,000 for **parking equipment**. Funding other than taxation is from DCC, land sales, and parking reserves.

3. In Building Capital, total gross project costs are \$3.7 M with \$1.95 M included for the Ellis Street parkade **office space construction**. **Restoration work** at the Rutland Seniors Centre will be \$290,000 and at the Mission Fire hall will be \$360,000. Other projects include \$250,000 for a **parking lot asphalt replacement** at the Curling and Badminton Club's and the Lake Avenue Beach Access.

4. Major projects in Parks Capital include: **Bernard Avenue Streetscape** for \$500,000; **Rutland Centennial Park Improvements** for \$400,000; **Stuart Park Phase II** construction for \$950,000. Other projects include \$335,000 **replacement of tennis courts in City Park** and \$275,000 for the **Strathcona Park to Royal Avenue Waterfront** land improvements.

5. **Transportation** projects continue to have the largest demand in terms of capital dollar requirements. This year there is \$21.8 M worth of project requests with \$7.9 M being funded from taxation and \$13.9M being funded from other sources such as reserves, grants and

developer/community contributions. Some of the larger projects include: completion of the first phase of the **Lakeshore Bridge Construction** project \$3.5M; **Lakeshore Road DCC** between Cook and Lexington Road for \$3,467,010; **Queensway Transit Exchange** for \$5.4M; and **Gordon Drive Frequent Transit Service** project at \$700,000. The **Roads Resurfacing** program has been budgeted at \$2.6 M for the annual work maintaining the City's road network.

6. The **Solid Waste Management** capital program requires \$910,000 in reserve funding for 2014 and includes \$240,000 for **Glenmore Landfill Backflow Protection**, and \$120,000 for **Security Camera's and Lights** and \$100,000 for **Recycling Cart Purchases**.

7. The **Storm Drainage** capital program includes \$180,000 for **replacement of a galvanized pipe on Springfield** and \$155,000 for the installation of an oil/water separator, catch basins, and pipe to complete phase 2 of the **Kane Road detention pond**.

8. There is \$100,000 for **Street Light** infrastructure replacement. The City is responsible for over 14,000 street lights and this funding will replace many of those that are past their service life.

9. The **Information Services** department has submitted requests for \$686,810 for **information technologies** such as servers, computers and communication networks. There is a request for \$75,000 for the **Asset Management** system acquisition funded from reserve. The communications networking project is requiring \$163,000 for the completion of a fibre ring connecting City Hall, Yards, Enterprise Fire Hall and Parkinson Recreation Centre.

10. **Vehicle & Mobile equipment** totaling \$2.5 M is included in the budget to be funded primarily from the **Equipment Replacement Reserve** with \$100,000 funded from the Wastewater Utility and \$141,000 from taxation.

11. The **Fire Department** has submitted requests for \$947,440 with the majority, \$847,440 funded from reserve. A **Fire truck - Rescue 1** will be purchased for \$600,000 funded from the fire equipment replacement reserve and **dispatch console upgrades** will be completed for \$81,990. The **Predictive Modeling/Dynamic Deployment System** at a cost of \$165,450 will help staff to evaluate operations and determine best use of staff deployment.

There are priority 2 capital requests totaling **\$5.8 M** from taxation.

UTILITY FUND HIGHLIGHTS

The City of Kelowna operates three major utilities providing **Water, Wastewater and Electrical Service**, the ongoing 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 debt commitment ends in 2018.

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 2011. 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 Electrical Utility was sold to Fortis at the end of March 2013. City officials determined that the existing electrical utility business model was not sustainable, and was vulnerable to different pressures including: changes in the wholesale price of electricity that the city must acquire; future capital spending on system infrastructure; and increases in operating and maintenance costs for the utility. The \$55 M the City received for the utility was reinvested in Fortis Inc. shares to capture annual dividends as a replacement source of revenue to the annual contribution made by the utility to general fund taxation.

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

WATER UTILITY

General

The primary goal of the City of Kelowna water utility is to continue its dedication to providing high quality drinking water and excellent service to its customers. The delivery of safe, high quality potable water will be achieved by ensuring the utility is dedicated to its continuous improvement process and by exceeding customer expectations. The water utility will promote efficient use of the water resource in keeping with Council's commitment to the Water Sustainability Action Plan. The plan to reduce overall water consumption with further implementation of landscape and irrigation standards will continue in 2014. The water utility will continue to reduce and demonstrate energy efficiency and the reduction of GHG's throughout its operation in conjunction with the corporate commitment to community sustainability.

Under the Filtration Deferral program, increased source, creek and storm water sampling and analysis will be required by the Water Utility in order to maintain Interior Health Authority Filtration Deferral status.

Water Utility

Financial Outlook - 2014

The **2014 Operating Revenues** are projected at **\$13.4 million**, with approximately \$9.1 million required to cover operating expenditures and debt repayment and a budgeted surplus of \$2,392,109.

The **Water Utility Capital Expenditure Program** and the Roads and Wastewater Capital Programs are closely interrelated. The total **Capital Expenditure Program** in the Water Utility is \$2.2 M with funding from current year utility revenues of **\$1.9 M** and \$13,810 required for the General Fund operating program.

The major projects budgeted are as follows:

Lakeshore at Mission Creek - watermain replacement	\$589,000
Wardlaw Avenue, Richter to Ether, watermain replacement	\$320,000
Morrison Avenue, watermain replacement	\$320,000

There is a budgeted surplus of \$2,392,109 for the Water Utility in 2014. The anticipated accumulated surplus position at the end of 2014 will be \$6,084,454 and is supported by reserves for future expenditures.

WASTEWATER UTILITY - COLLECTION & TREATMENT

General

The Wastewater Utility provides a safe, reliable and efficient sanitary sewer collection system and treatment facility through sound operation and environmentally responsible practices. It is vital to determine the long-range requirements for the wastewater utility to best serve the present and future populations. Efficient and cost effective approaches are used in asset management in order to protect and manage all wastewater infrastructure. The wastewater utility will continue to reduce and demonstrate energy efficiency and the reduction of GHG's throughout its operation in conjunction with the corporate commitment to community sustainability.

Wastewater Utility

Financial Outlook - 2014

The **2014 Operating Revenues** are projected at **\$23 million** with approximately \$11.9 Million required for operating expenditures of the collection system and debt repayment. A further \$6.1 million is required for treatment operations expenditures at the Wastewater Treatment Facility.

The total **Capital Expenditure Program** in the Wastewater Utility system is **\$2.9 million**, with funding from current year utility revenues of \$2.4 M with a further **\$100,000** required for utility contributions in the General Fund capital program and \$290,376 for the General Fund operating program.

The major projects budgeted are as follows:

Lakeshore at Mission Creek, DCC sewer capacity upgrades	\$811,000
Lane N. of Fuller, Ethel to Gordon, pipe replacement	\$510,000
Sutherland Avenue, Richter to Ethel, pipe replacement	\$460,000

There is a planned budget surplus of \$2.5 M for the Wastewater Utility in 2014. The anticipated accumulated surplus position at the end of 2014 will be \$18.4 million.

ELECTRICAL UTILITY

General

Operating functions progressed for the City of Kelowna's electrical utility until the end of the first quarter 2013 when the electrical utility was sold to FortisBC Inc. Capital program expenditures ceased at that date. Up to the sale date, the principal goal for the Electrical Branch was to strive for a well maintained electrical system that provided for an efficient electrical service to the City of Kelowna's customers, giving due regard to safety, reliability, affordability, health and the environment.

The City of Kelowna sold the Electrical Utility to FortisBC Inc. as at the end of March 2013. An alternative approval process, open to all electors within the City of Kelowna until October 26, 2012, was undertaken, to seek approval of the electors for entry into agreement to sell the utility to FortisBC Inc. Further, the City of Kelowna then sought approval from the Inspector of Municipalities, as required under section 185(1)(b) of the Community Charter for the acquisition of shares in Fortis Inc. from such funds as City Council may allocate from the electrical utility reserve account and proceeds from the sale of the electrical utility. Fifty-Five million (\$55M) dollars worth of Fortis common shares were purchased in mid-2013. It is anticipated that dividend revenue from these shares will be contributed to the general fund, as in the past the electrical utility provided a direct financial contribution to reduce the general tax demand of \$2.1M annually.

The opportunity was developed through a lengthy process that began with recognition on the part of the City of Kelowna that the City's existing electrical business model was not sustainable. Long term, annual financial returns to taxpayers under that model were vulnerable to certain factors, namely:

- Increases in the wholesale price of electricity that the City must acquire, and subsequent pressure on the margin between wholesale and retail electricity rates
- Increases in capital spending on electrical infrastructure
- Increases in operating and maintenance costs for the utility

2013 is the final year of operation of the City's electrical utility, and the utility will be audited as part of the annual external audit process. The operating surplus and electrical reserve balances will be transferred to the newly created general reserves in the general fund and the electrical utility fund closed as of the end of 2013.

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.

Natural Gas

Financial Outlook - 2014

The projected lease revenue and interest for 2014 is \$4.5 million with approximately \$4.5 million required for principal and interest debt repayments. The Natural Gas utility provides a contribution to the General Fund of \$20,000 for administrative services.

There is a budgeted deficit of \$172,279 for the Natural Gas Utility in 2014 and a projected accumulated surplus at the end of 2014 of \$4.8 million.

AIRPORT

General

The airport operates on a financially self sufficient basis, in compliance with Federal regulations and as part of the National Airport System. Passenger activity in 2013 is expected to break all records at 1.5 million passengers, a 4% increase over 2012 the previous record year. A 2% increase in passenger traffic is projected for 2014.

Phase 1 of The “Drive to 1.6 Million Passenger” capital improvement program is complete, and Phase 2 consisting of an expansion of the check-in lobby and the outbound baggage system is under detailed design. Work on these improvements is expected to commence by the fall of 2014.

An economic impact study completed in 2010 determined the direct impacts of Kelowna International Airport include 1,400 direct jobs associated with the airport, representing 1,290 direct person years of employment. The direct economic impact of this employment on the provincial economy is \$120 million in gross domestic product, \$300 million in economic output and \$70 million in wages. In addition the ongoing operations of the airport generate \$30 million per annum in government tax revenues. The federal government is the largest recipient of tax revenue, receiving nearly \$22 million, the provincial government receives over \$7 million and the municipal government collects approximately \$1 million.

Airport

Financial Outlook - 2014

Total revenues and expenditures from Airport operations are projected to be **\$28.6 million**.

The total **Capital Expenditure Program** for the Airport is **\$1.1 M** all of which will be coming from reserves. There will be a carry-over of 2013 funding for the completion of the capital project, Drive to 1.6 million passengers. Other major capital projects budgeted are:

Air Terminal Building improvements	\$470,000
Flight Information Display system	\$230,000
Telephone system	\$125,000

In 2014 a total of \$3.5 million will be showing as debt repayment from AIF revenues.

Aside from placing the Airport Improvement Fee revenue into reserve, the 2014 Airport budget is balanced by an appropriation of \$141 thousand from the three main airport reserves. Accumulated surplus is anticipated to be \$271,245 at the end of 2014 (excluding internal financing for the AIF program).

1. 2014 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:
 - (a) the proposed expenditures by the municipality;
 - (b) the proposed funding sources;
 - (c) the proposed transfers to or between funds.
 - (5) The total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year.
 - (6) The proposed expenditures must set out separate amounts for each of the following as applicable:
 - (a) the amount required to pay interest and principal on municipal debt;
 - (b) the amount required for capital purposes;
 - (c) the amount required for a deficiency referred to in subsection (9);
 - (d) the amount required for other municipal purposes.
 - (7) The proposed funding sources must set out separate amounts for each of the following as applicable:
 - (a) revenue from property value taxes;
 - (b) revenue from parcel taxes;
 - (c) revenue from fees;
 - (d) revenue from other sources;
 - (e) proceeds from borrowing, other than borrowing under section 177 [*revenue anticipation borrowing*].
 - (8) The proposed transfers to or between funds must set out separate amounts for:
 - (a) each reserve fund under Division 4 of this part, and
 - (b) accumulated surplus.

- (9) If actual expenditures and transfers to other funds for a year exceed actual revenues and transfers from other funds for the year, the resulting deficiency must be included in the next year's financial plan as an expenditure in that year.

Public process for development of financial plan

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

CITY OF KELOWNA BUDGET PROCESS

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

The City of Kelowna's fiscal year begins January 1 and ends December 31. The process of budgeting is essentially a year-round process. Beginning in August of each year, all divisions 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 Divisions budgetary requirements.

Base budget adjustments, supplemental operating requests, expenditure reductions and capital budget requests are reviewed by Financial Services and prepared for divisional reviews in October with the City Manager, Division Directors and Managers. All budget submissions are ranked by the divisions 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 priority levels used in this financial plan for operating requests and expenditure reductions:

Priority 1 - The request is required to maintain the current level or standard of service, or is required to facilitate good management practices.

Priority 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 division totals but the priority '2' requests **are not included**. The priority of each individual operating request is included in the top right-hand corner. Requests show one, two or three year financial impacts and are marked as ongoing or one time. Changes in years 2 or 3 of ongoing requests are made directly to the base in future years.

Capital requests are only marked as priority 1 or 2 and 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. A bylaw amendment is planned for April 2014 for changes to the financial plan for all 2013 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 \$75,000 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.



2014 Budget Calendar & Responsibilities

Description	Resp.	Required Date
1. Distribute budget guidelines to Divisional Directors, Managers, and budget designates.	A	August 2/13
2. Determine appropriate base budget impacts based on 2014 financial plan and contractual changes.	A	August 30/13
<i>Departmental Integrated Work Plans completed. (indirect budget process task - work plans tie into the budget document)</i>	D	August 30/13
3. Establish overall City priorities for the 2014 budget year from discussions with Council and City Manager	C	September 12/13
4. Develop base budgets in detail (nominal base changes) 2014 Accomplishments; Develop operating requests expenditure reductions, Capital requests to Financial Planning	D	September 13/13
5. Develop Division Performance Measures and 2014 Drivers and Activities	D	October 4/13
6. City Manager Review - prioritize capital requests, supplementals and expenditure reductions.	A	October 22-25/13
7. City Manager & Division Director overall review and prepare recommendation for council.	A	October 31/13
8. Distribute budget package to Council.	A	December 6/13
9. 2014 Budget Program Overview Presentation to Council	D	December 9/13
10. Council review and adoption of 2014 Financial Plan	C	December 12/13
11. Council review/adoption of carry-over budget projects.	C	March 17/14
12. Council review/adoption of 2013-2017 financial plan amend #1.	C	April 14/14
13. Council review and adoption of 5 year financial plan and final budget requests.	C	May 5/14

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

2. 2014 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.

2004 STRATEGIC PLAN - The “*City of Kelowna Strategic Plan 2004 Edition*” was developed in 2004. 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 Strategic Plan outlines future directions for the City of Kelowna using 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.

CORPORATE PLAN - The City of Kelowna is guided by the Community Strategic Plan. The Corporate Plan builds the corporate capacity necessary to deliver on City Council’s directions and the goals of the community.

STRATEGIC PLAN VISION - CORPORATE FOCUS

The City of Kelowna’s Vision and Mission statements are:

- **VISION is to be the best mid-sized city in North America**
- **MISSION is leading the development of a safe, vibrant and sustainable city**

The Corporate Plan sets out priority projects in six areas of focus:

- ***Performance Excellence*** - we deliver on our plan
- ***Passionate Public Service*** - we retain and attract the best
- ***Responsive Customer Service*** - we put people first
- ***Engaged Communities*** - we encourage participation
- ***Pioneering Leadership*** - we find better ways
- ***Sustainable City*** - we deliver on a multiple bottom line

Under a “Moving Opportunities Forward” platform, City of Kelowna Council’s focus for the 2012-2014 election term includes the following priorities:

Grow our economy....Council will act as a catalyst for sustained quality employment opportunities and prosperity by actively pursuing partnerships, strategic investment in municipal services and infrastructure, and re-investment in existing assets.

Enhance citizens’ quality of life....Council will enhance citizens’ quality of life by leveraging strong financial decisions to support social, cultural and environmental initiatives.

Focus on results....Council will ensure Kelowna progresses towards its community goals through innovation.

Deliver on our plan....Council will work with citizens, partners and applicants to move opportunities forward that create value for the community.

Proactive & pragmatic leadership....Council will focus on providing pragmatic leadership to achieve key outcomes.

All operating and capital requests should strive to support these priorities and as such, each request has been specifically identified with a link to one of the first 4 priorities.

Division Directors have outlined the drivers that guide their departments and managers have provided their action plans, or activities, that will be undertaken in the current year to support the priorities of council. These “drivers and activities” can be found in the first few pages of each Division’s operating section and are tied back to a specific council priority. Through the use of integrated work plans, the city will embark on a purposeful effort to effectively coordinate human and financial resources to achieve the priorities as set forth by council and the community.

City of Kelowna staff will be the **BEST** through the specific core corporate values of:

Balance
Excellence
Service
Teamwork

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 in Building Services which supports maintenance projects. 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.

2009 was the first year of implementation of PSAB 3150 (Public Sector Accounting Board). This PSAB section outlines standards on how to account for and report tangible capital assets in government financial statements. Department requests are now measured against Tangible Asset Criteria and where they do not meet the criteria, are reported as operating expenses of the current year.

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 fund's performance will be provided at a minimum of quarterly to the Audit Committee and annually to City Council.

Previous Council's have approved the ten major corporate strategies identified below that provide direction for the *10 Year Capital Plan* and thus for the capital component of the current Financial Plan. These strategies are:

- **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** - 40% 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 ACTIVITIES

Current year activities (goals/objectives) are outlined in the City Manager's memorandum and are also detailed in the individual departments throughout this document. (Division Drivers and Activities by Council Priority).

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.

The performance measurement program provides information by division/department under six measurement categories:

- Program Inputs
- Outputs (Activity levels)
- Outcome (Results)
- Process Efficiency (Productivity)
- Customer Service
- Innovation & Learning

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

The reporting on corporate performance measures developed as part of the financial planning process is 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 Division/Department** there are current year strategic activities that are linked to one of 4 council priorities from the Moving Opportunities Forward platform mentioned earlier. These relate to project type works that are planned for 2014.

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. 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.

Through the City's corporate restructure in 2009, a new department, Strategic Initiatives was created. The mandate of this department is to keep in touch with changes to the City's operating environment to identify emerging issues and to lead the development of appropriate strategic direction or change within the City's operations, structures, and business processes. Additionally, the Department develops and manages tools to support excellence in performance and measurement of how well the City meets expectations. With the recent development of the Corporate Plan and endorsement of corporate plan projects, 2013 saw the start of a Performance Management initiative that included the development of a meaningful performance measurement model for each department to record and report performance goals and measures. Many of the departments have undergone this process however the initiative will continue with the remaining departments in 2014. This new model will be implemented throughout the organization and the will be incorporated into the Financial Plan document.

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 two major utilities providing **water** and **wastewater** 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:

Division:	Infrastructure
Department:	Design & Construction Services
Branch:	Roadways Construction

The 2014 Financial Plan requirements are summarized on page B1 followed by 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 'historical' summary sheets are included directly with the division's information. The Volume 1 binder will be presented with division operating information and requests in

the first half of the volume followed by the capital program in the latter half. Under the various 'Division' tabs there is a summary sheet that provides a Division Overview.

Following an organizational chart are the Division Drivers (goals) and Activities (objectives) for the upcoming year. This is a new presentation format as Integrated Work Planning process continued to be phased in during 2013 and incorporated into the financial planning process. This Corporate Plan project is implementing a framework for the development of cascaded, integrated operational work plans which serve a multitude of objectives and inform other initiatives that collectively lead the organization to achieving status as the "B.E.S.T.". The purpose of cascading, integrated operational work plans is to solidify and document the common direction of the organization at every level, ensure adequate resources are available to complete the prioritized projects. Cascaded work plans logically flow from the Community Strategic Plan, through to Division plans, and on to Departmental and Branch plans. Ultimately this cascading model will be utilized to develop Personal plans for each employee and inform a performance management strategy.

Next is narrative describing the major sections of that division including data measuring divisional performance. This 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. Finally, there is a summary page highlighting the changes to the operating budget for this budget year.

Next will be the 2014 additional operating budget request information beginning with a blue summary sheet and followed by the detailed operating requests. These operating requests contain a description, justification and the one to three year impact of the request depending on whether the request has been submitted for one-time or on-going. The cost of the request is indicated on the left, followed by the sources of funding that will be accessed to support the cost. Where departments have expenditure reductions for reduced or eliminated services or programs, these are listed on pink expenditure reduction sheets with the detailed requests following.

Noticeable this year is the reduced size of the volume due to a shift to higher level Divisional reporting from the previous Departmental reporting. The exceptions to this rule are Fire and Police Services in the general fund and Airport, Water and Wastewater that are their own funds. For 2014 there are three (3) general fund capital requests: Predictive Modeling/Dynamic Deployment System, Parking Equipment, The Ponds - Park & Trail Building Partnership resulting with increased operational requirements.

Within the Capital Plan section, each capital cost centre is presented in its own section and will start with a yellow summary sheet that indicates the 2014 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 page number when locating specific projects. The funding source for each project is indicated on the right side of the summary page. Following the priority summary is a page that summarizes the capital requests in the Department's priority order. The detailed requests follow, and are in project number order by priority 1 and then priority 2. Similar to operating requests, the cost and sources of funding to support the cost are indicated on the request.

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 (for 2013 and previous year only)

- ◆ 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. This utility was sold to FortisBC in 2013 and this fund will be closed in 2013. Surplus and reserve balances will be transferred to newly created general reserve funds.

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.

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 in the downtown core 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 for future expenditures is shown under 'Accumulated Surplus' for either revenues or expenditures.

Deferred Development Cost Charges

Development Cost Charge revenues are collected 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.

The following table lists the City's Divisions and the funds they use:

DIVISION	FUNDS						
	G	W	WW	E	NG	L	A
CITY ADMINISTRATION	X						
STRATEGIC SERVICES	X						
Airport							X
INFRASTRUCTURE	X	X	X				
COMMUNITY PLANNING & REAL ESTATE	X						
ACTIVE LIVING & CULTURE	X						
CIVIC OPERATIONS	X	X	X	X			
CORPORATE & PROTECTIVE SERVICES	X						
Financial Services	X				X	X	
COMMUNICATIONS & INFORMATION SERVICES	X						
HUMAN RESOURCES & CORPORATE PERFORMANCE	X						

G = General; W = Water; WW = Wastewater; E = Electrical; A = Airport; NG = Natural Gas; L = Library

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, 2012 and projected balances to the end of 2014. The 2014 projected balance assumes all 2014 budgeted expenditures will be completed and funded (even though some of the projects will not be completed in 2014).

	Actual Balance Dec. 31/12	Proj'd Balance Dec. 31/13	Proj'd Balance Dec. 31/14
<u>General Fund</u>			
Surplus	1,763,150	1,763,150	1,763,150
Statutory Reserve Funds	31,919,450	17,948,143	19,075,685
Reserves for Future Expenditures	42,108,584	32,675,990	29,169,808
	<u>75,791,184</u>	<u>52,387,282</u>	<u>50,008,643</u>
<u>Water Fund</u>			
Surplus	2,254,913	3,692,345	6,084,454
Statutory Reserve Funds	662,565	669,191	687,593
Reserves for Future Expenditures	7,445,583	7,416,218	9,452,012
	<u>10,363,060</u>	<u>11,777,753</u>	<u>16,224,059</u>
<u>Wastewater Fund</u>			
Surplus	14,103,678	15,884,618	18,376,153
Statutory Reserve Funds	7,290,324	7,622,265	8,098,883
Reserves for Future Expenditures	7,312,434	7,096,692	7,327,254
	<u>28,706,436</u>	<u>30,603,574</u>	<u>33,802,290</u>
<u>Electrical Fund</u>			
Surplus	4,625,973	0	
Reserves for Future Expenditures	3,176,221	(0)	
	<u>7,802,194</u>	<u>0</u>	<u>0</u>
<u>Airport Fund</u>			
Surplus / (Deficit)	271,244	271,244	271,244
Reserves for Future Expenditures	14,133,909	(6,399,873)	2,121,558
	<u>14,405,153</u>	<u>(6,128,629)</u>	<u>2,392,802</u>
<u>Natural Gas Fund</u>			
Surplus	4,914,513	4,966,474	4,794,195
	<u>4,914,513</u>	<u>4,966,474</u>	<u>4,794,195</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>142,148,419</u>	<u>93,772,333</u>	<u>107,387,867</u>
<u>Deferred Devt. Cost Charges</u>	<u>26,632,136</u>	<u>10,650,169</u>	<u>5,515,979</u>

The Development Cost Charges are shown separately from other reserves and surplus as they are revenues received for specific projects and cannot be used for any other expenditures. Some of the Deferred Development Cost Charge balances include a receivable portion that is not available for use at December 31, 2014.

The impact of the 2014 general and utility fund operating and capital requests on the reserve balances in terms of contributions to, and expenditures from reserves, are highlighted on the following schedule.

Borrowing for the Mission Recreation Park facility was deferred and is being internally financed from the general reserve balance. This shows as 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	Actual Bal. Dec. 31, 2012	Budget Expend	Contribution to Resv	Proj Bal. Dec. 31, 2013	Budget Expend	Contribution to Resv	Proj Bal. Dec. 31, 2014
General Reserves & Surplus							
Surplus	1,763,150	0	0	1,763,150	0	0	1,763,150
Planning Initiatives - Corporate	1,809,848	682,656	344,956	1,472,148	379,556	381,838	1,474,430
Major Facilities	2,920,843	1,178,135	374,421	2,117,129	201,000	389,181	2,305,310
Misc. Recreation Facilities	(4,362,834)	0	750,682	(3,612,152)	201,000	801,686	(2,810,466)
Park Purch/Dev't/Other Land	1,313,331	833,120	287,182	767,393	345,000	283,385	705,778
Upgrades/Maint. Existing Assets	2,658,360	622,460	225,579	2,261,479	803,190	210,339	1,668,628
Operating Exp. Equalization	6,952,392	832,742	396,019	10,108,741	1,642,622	343,822	8,809,941
Operating Rev. Equalization	934,928	100,000	8,349	4,843,277	1,210,000	7,833	3,641,110
Transportation & Drainage Capital	4,599,286	1,329,240	125,929	3,395,974	699,170	155,971	2,852,776
Debt Equalization Reserve	205,020	303,010	12,791	(85,198)	9,380	9,511	(85,068)
Multipurpose Facility Investment	5,404,883	0	171,209	5,576,092	0	172,921	5,749,013
Unspent Budget Reserve	19,672,526	13,850,055	8,635	5,831,106	972,750	0	4,858,356
Sub-Total	43,871,734	19,731,418	2,705,751	34,439,139	6,463,668	2,756,487	30,932,958
Statutory (CWME, Land, Pkg)	39,872,339	30,354,041	16,721,300	26,239,598	10,014,746	11,637,310	27,862,162
Water Utility Res/Surplus	9,700,496	1,948,400	3,356,467	11,108,563	255,000	4,682,903	15,536,466
Sewer Utility Res/Surplus	21,416,112	266,840	1,832,037	22,981,309	0	2,722,097	25,703,407
Electrical Utility Res/Surplus	7,802,194	9,774,434	1,972,240	0	0	0	0
Airport Res/Surplus	14,405,153	32,703,857	12,170,075	(6,128,629)	5,052,275	13,573,706	2,392,801
Natural Gas Surplus	4,914,513	0	51,961	4,966,474	0	(172,279)	4,794,195
Library Society Surplus	165,878	0	0	165,878	0	0	165,878
Totals	142,148,419	94,778,990	38,809,832	93,772,332	21,785,689	35,200,224	107,387,867
Deferred Devt. Cost Charges	26,632,136	20,782,275	6,399,448	10,650,169	12,986,820	7,852,630	5,515,979

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 2013 and 2014 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 changed the way tangible capital assets are reported on the annual financial statements.

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, 2013.

Under the *Community Charter* (C.C.) legislation that became effective on January 1, 2004, a new method of determining a municipality's borrowing limit was enacted. 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).

General Fund Debt Servicing Costs

Net Debt Servicing Costs are budgeted at **\$2,443,139** in 2014 (2.3% of taxation demand). This represents an increase of \$31,170 from the 2013 budgeted amount. \$150,000 of this amount which was being used to fund a short term borrowing project was shifted to repay an internally financed land acquisition.

There is no new borrowing included in the 2014 financial plan for the General Fund. The current net general debt (including internal financing) as a percentage of taxation demand is 3.8% in 2014, as compared to 3.9% of taxation demand in 2013.

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 at Jan 1st of each year is:

	<u>2012 Balance</u>	<u>2013 Balance</u>	<u>2014 Est. Bal.</u>
General Capital Fund	\$42,716,000	\$39,686,000	\$36,488,000
Water Utility Capital Fund	9,138,000	8,727,000	8,345,000
Wastewater Utility Capital Fund	53,806,000	48,444,000	42,657,000
Natural Gas Utility Capital Fund	26,569,000	23,434,000	20,101,000
Library Fund	2,303,000	1,949,000	1,563,000
Airport Fund	11,840,000	10,341,000	8,782,000
Total Debenture Debt	\$146,372,000	\$132,581,000	\$117,936,000

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

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

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 \$6.3 million based on \$50 per capita and a 2014 population estimate of 125,969. The City uses this borrowing method for the upgrade or construction of facilities and the purchase and development of parks. There are no projects currently funded through short term borrowing.

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, 2013.

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 2013 are:

- Mission Recreation Park Facilities - \$6,306,000
- Energy Management Plan Program - \$184,000
- Protective Services Site Acquisition - \$2,865,000
- Compost Facility Loaders - \$1,865,000
- Land Acquisition Loan - \$447,000

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.

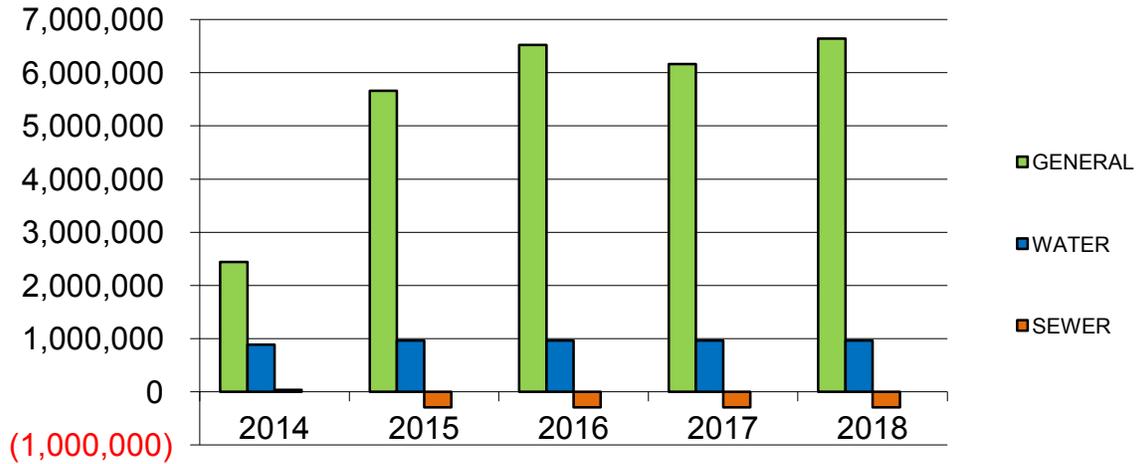
There was no new debenture borrowing in 2013 or funds received. Borrowing over the next five years will be determined by the 10 Year Capital Plan (2013) reflecting capital requirements to 2020.

Further detailed debt repayment information for 2014 and future years is illustrated on the following pages.

CITY OF KELOWNA - 10 YEAR DEBT REPAYMENT SCHEDULE

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GENERAL										
Debtenture										
Principal	2,952,564	4,728,937	5,152,524	4,810,431	4,628,887	4,576,005	4,151,747	4,288,258	4,227,041	4,103,916
Interest	2,596,933	5,050,281	5,491,100	5,430,927	5,425,063	5,917,722	5,697,701	5,870,465	5,757,755	5,672,259
Total Expenditures	5,549,497	9,779,218	10,643,624	10,241,358	10,053,950	10,493,728	9,849,448	10,158,723	9,984,796	9,776,175
Recoveries	(3,246,879)	(4,259,914)	(4,259,914)	(4,216,211)	(3,553,899)	(3,184,223)	(2,539,943)	(2,539,943)	(2,366,017)	(2,157,396)
Net Debtenture Debt	2,302,619	5,519,304	6,383,710	6,025,147	6,500,051	7,309,505	7,309,505	7,618,780	7,618,780	7,618,780
Other Debt										
MFA Levy	5,520	5,743	5,858	5,975	6,095	6,278	6,466	6,660	6,710	6,760
Short Term Borrowing	0	0	0	0	0	0	0	0	0	0
Temporary Debt	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
TOTAL NET DEBT (General)	2,443,139	5,660,047	6,524,568	6,166,122	6,641,146	7,450,782	7,450,971	7,760,440	7,760,490	7,760,540
WATER										
Debtenture										
Principal	378,489	423,489	423,489	423,489	423,489	423,489	423,489	423,489	423,489	422,304
Interest	538,312	570,367	570,367	570,367	570,367	570,367	570,367	570,367	570,367	570,367
Total Expenditures	916,801	993,856	993,856	993,856	993,856	993,856	993,856	993,856	993,856	992,671
Recoveries	(29,531)	(29,531)	(29,531)	(29,531)	(29,531)	(29,531)	(29,531)	(29,531)	(29,531)	(28,346)
Net Debtenture Debt	887,270	964,325	964,325	964,325	964,325	964,325	964,325	964,325	964,325	964,325
WASTEWATER										
Debtenture										
Principal	4,662,363	4,256,226	4,256,226	4,256,226	4,256,226	4,249,805	1,571,932	739,022	739,022	737,829
Interest	3,126,558	2,872,129	2,872,129	2,872,129	2,872,129	2,372,257	1,276,939	903,939	903,337	902,736
Total Expenditures	7,788,921	7,128,355	7,128,355	7,128,355	7,128,355	6,622,063	2,848,871	1,642,961	1,642,360	1,640,565
Recoveries	(7,752,105)	(7,418,775)	(7,418,775)	(7,418,775)	(7,418,775)	(6,912,483)	(3,139,291)	(1,933,381)	(1,932,780)	(1,929,894)
Net Debtenture Debt	36,816	(290,420)	(290,420)	(290,420)	(290,420)	(290,420)	(290,420)	(290,420)	(290,420)	(289,329)
ELECTRICAL										
Debtenture										
Principal	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	0	0	0	0	0
Recoveries	0	0	0	0	0	0	0	0	0	0
Net Debtenture Debt	0	0	0	0	0	0	0	0	0	0
NATURAL GAS LEGACY										
Debtenture & Capital Lease										
Principal	1,699,052	1,699,052	1,699,052	1,699,052	1,699,052	0	0	0	0	0
Interest	2,657,240	2,657,240	2,223,365	1,789,491	1,789,491	0	0	0	0	0
Total Expenditures	4,356,292	4,356,292	3,922,417	3,488,543	3,488,543	0	0	0	0	0
Recoveries	(4,356,292)	(4,356,292)	(3,922,417)	(3,488,543)	(3,488,543)	0	0	0	0	0
Net Debtenture Debt	0	0	0	0	0	0	0	0	0	0
AIRPORT										
Debtenture										
Principal	2,332,146	2,332,146	2,332,146	2,332,146	3,814,725	2,482,070	2,482,070	2,482,070	2,482,070	2,482,070
Interest	1,122,000	1,122,000	1,122,000	1,478,000	1,462,000	1,090,000	1,090,000	1,090,000	1,090,000	901,000
Total Expenditures	3,454,146	3,454,146	3,454,146	3,810,146	5,276,725	3,572,070	3,572,070	3,572,070	3,572,070	3,383,070
Recoveries (AIF Revenue)	(3,454,146)	(3,454,146)	(3,454,146)	(3,810,146)	(5,276,725)	(3,572,070)	(3,572,070)	(3,572,070)	(3,572,070)	(3,383,070)
Net Debtenture Debt	0	0	0	0	0	0	0	0	0	0
TOTAL NET DEBT PYMT	3,367,225	6,333,952	7,198,473	6,840,027	7,315,051	8,124,687	8,124,876	8,434,345	8,434,395	8,435,536

5 YEAR NET DEBT REPAYMENT



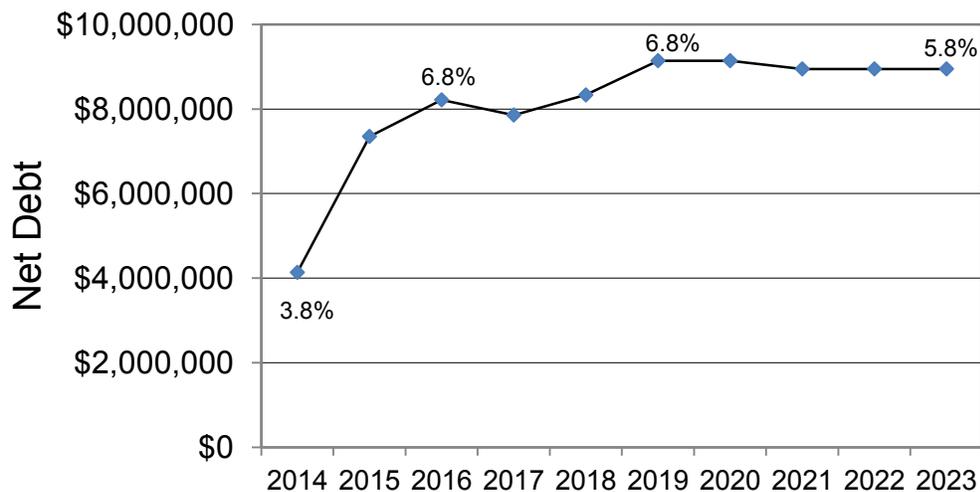
Note: There is no Electrical Debt

Taxation Funded Debt

Council policy has been to limit annual net debt repayment to a maximum of 5% of taxation demand. Net debt repayment for 2014 will be 3.8% and anticipated to reach a maximum of 6.8% over the next six years before dropping to 5.8% by 2023. This includes debt for internal financing and the debt repayment for the Mission Aquatic Centre.

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

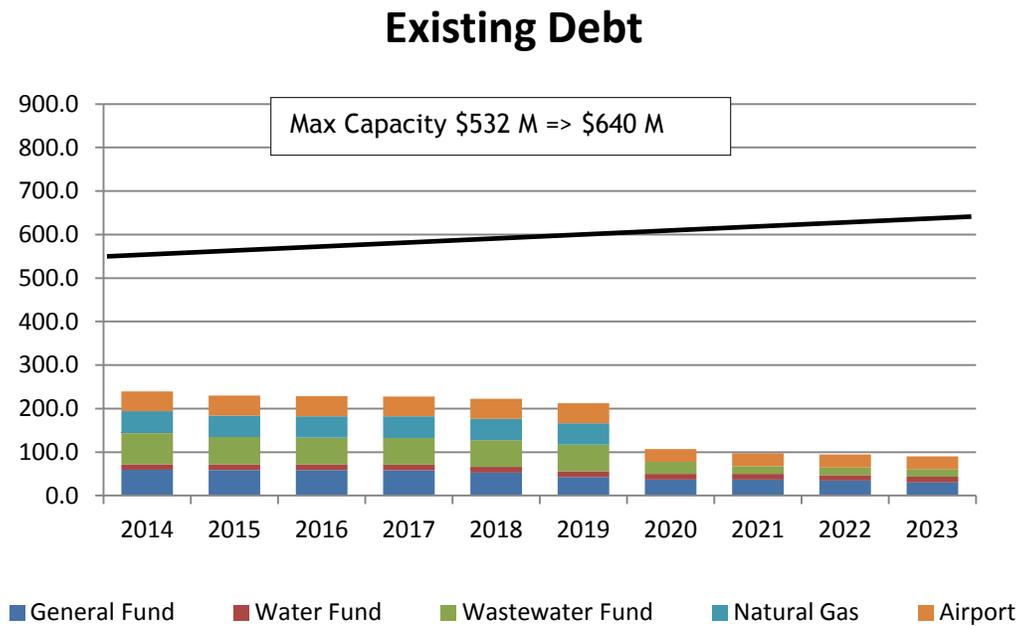
Taxation Funded Debt



Existing Debt - All Funds

The maximum debt that can be undertaken by the City in a given year is based on 25% of previous year revenues. Using 2012 revenues, the current liability servicing limit is \$62.1 million of which \$35.8 M of this capacity has been used, leaving an available capacity of \$26.3 M. While \$35.8 M represents approved debt capacity, the total debt servicing cost payable (principal and interest) is \$23.3 M. The balance of \$12.5 M represents guarantees and commitments as well as approved borrowings which have not been issued. Using current Municipal Finance Authority lending rates and a 15 year repayment term the unused borrowing capacity of \$26.3 M for 2014 is approximately **\$293 million**.

The following chart shows the borrowing by various funds and the maximum borrowing limit by the solid bar.



(Based on current estimated borrowing rates)

Debt Charges Analysis

DEBT - GENERAL

	2013		2014	
	FINANCIAL PLAN		FINANCIAL PLAN	
DEBENTURES				
Local Improvements - MFA 59	45,465		45,465	
Local Improvements - MFA 63	23,651		23,651	
Local Improvements - MFA 64	20,052		20,052	
Local Improvements - MFA 66	4,272		4,272	
Local Improvements - MFA 70	4,455		4,455	
South Pandosy Spec Area 1 & 2 - MFA 71	41,628		41,628	
Library Parkade Plaza - MFA 64	143,555		143,555	
Kokanee Gymnastic Facility - MFA 75	30,371		30,371	
Chapman Parkade - MFA 78	208,621		208,621	
Okanagan Gymnastics - MFA 102	65,425		65,422	
Mission Aquatic Centre - MFA 102&104	2,419,162		2,419,160	
DCC Roads	1,401,826		1,401,826	
Ellis Street Library	541,758		541,737	
Automated Collection Carts	599,282	5,549,524	599,282	5,549,497
Debenture Recoveries				
Local Improvement Levies	(97,895)		(97,895)	
Kokanee Gymnastic's Repayment	(34,495)		(34,495)	
- Appropriation to Major Facilities Res.	4,124		4,124	
Okanagan Gymnastics	(65,660)		(65,660)	
South Pandosy Spec Area 1 & 2	(41,628)		(41,628)	
Parking Reserve	(352,176)		(352,176)	
Mission Aquatic Centre Invest. Interest	0		0	
DCC Roads	(1,433,022)		(1,401,826)	
Library Board	(658,040)		(658,040)	
Landfill Reserve (Auto. Carts)	(599,282)	(3,278,074)	(599,282)	(3,246,879)
NET DEBENTURE DEBT		2,271,449		2,302,619

Debt Charges Analysis General Fund

	2013 FINANCIAL PLAN		2014 FINANCIAL PLAN	
SHORT TERM BORROWING				
MFA Levy	5,520		5,520	
Cedar Avenue Land Acquisition	0		0	
Financial System	<u>5,520</u>		<u>0</u>	<u>5,520</u>
NET SHORT TERM DEBT		<u><u>5,520</u></u>		<u><u>5,520</u></u>
TEMPORARY DEBT				
Interest on Prepaid Taxes	105,000		105,000	
Bank Charges/Local Improvements	51,000		51,000	
Temporary Capital Borrowing	<u>0</u>	<u>156,000</u>	<u>0</u>	<u>156,000</u>
Temporary Debt - Recovery				
Parking Reserve	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>
NET TEMPORARY DEBT		<u><u>135,000</u></u>		<u><u>135,000</u></u>
NET DEBT - GENERAL		<u><u>2,411,969</u></u>		<u><u>2,443,139</u></u>
DOLLAR CHANGE			31,170	1.3%
INTERNAL BORROWING				
Capital News Centre		939,660		939,660
Protective Services Property		504,000		504,000
Land Acquisition Reserve		150,000		150,000
TOTAL INCLUDING INTERNAL FINANCING		4,005,629		4,036,799

8. ONGOING BUDGET IMPACTS (GENERAL FUND)

Operating requests and expenditure reductions submitted in the financial plan are projected over a 3 year period. This impact summary analyzes the impacts from current and prior year ongoing and one time operating requests and expenditure reductions for dollar value changes between the current and subsequent year. Adoption of this Provisional volume includes the approval of these changes from year to year.

The impact on 2015 from the adoption of the 2014 financial plan as submitted is summarized as follows:

2014 One-time operating requests	(\$78,000)	(0.07%)
2014 One-time expenditure reductions	74,550	0.07%
Additional full year costs:		
From 2013 Financial Plan	190,000	0.18%
From 2014 Financial Plan	325,495	0.31%
Capital Maintenance Costs: (estimated)		
Parks	\$50,000	
Transportation	<u>50,000</u>	
	<u>100,000</u>	<u>0.09%</u>
2014 Ongoing budget impact:	\$612,045	.57%

Full Time Equivalent Summary

	BUDGET 2012	ACTUAL 2012	REVISED ADOPTED 2013	FINANCIAL PLAN 2014
GENERAL FUND				
Mayor & Council	9.0	9.6	10.1	10.1
City Management	2.0	1.6	2.0	2.0
Strategic Services	7.0	7.44	7.3	7.1
Fire Department	123.9	135.09	123.9	124.1
Infrastructure	27.7	27.8	25.6	25.7
Community Planning & Real Estate	73.5	69.7	75.4	78.7
Active Living & Culture	53.1	52.1	55.6	57.3
Civic Operations	204.6	196.3	207.0	209.7
Corporate & Protective Services	79.4	73.7	75.0	78.0
Police Services	69.6	70.0	71.2	73.0
Communications & Information Services	31.7	30.9	33.9	34.5
Human Resources & Corporate Performance	19.6	22.0	15.6	15.6
TOTAL GENERAL FUND	700.9	696.2	702.5	715.8
AIRPORT & UTILITY FUNDS				
AIRPORT	41.9	40.4	40.9	40.9
ELECTRICAL	1.0	1.8	0.2	0.0
WASTEWATER	37.2	35.6	37.8	37.4
WATER	28.6	23.2	27.2	29.2
NATURAL GAS	0.0	0.0	0.0	0.0
TOTAL AIRPORT & UTILITY FUNDS	108.7	101.0	106.1	107.5
TOTAL FTEs FOR THE CITY OF KELOWNA	809.7	797.3	808.6	823.3

Full Time Equivalent Analysis

GENERAL FUND

Mayor & Council

2013 Addition of 1.0 FTE for ongoing Mayor Secretary

Strategic Services

2012 Addition 0.2 FTE for one-time 2011 Professional & Consulting Services Expenditure Reduction Request

2013 Addition 1.0 FTE on-going for Executive Director of Business Development position
Reduction 0.5 FTE for one-time Budget Transfer to Professional & Consulting Services
Reduction 0.2 FTE on-going moving Regional Projects position to Infrastructure from July 2013
Corporate Reorg

2014 Reduction 0.2 FTE on-going annualizing moving Regional Projects position to Infrastructure from July 2013
Corporate Reorg

Fire Department

2012 Addition 2.7 FTE for on-going 2012 RDOS Fire Dispatch Operating Request
Annualization 2.0 FTE for 2011 Flex Firefighter Operating Request

2014 Annualization .3 FTE for on-going 2012 RDOS Fire Dispatch Contract/Admin Officer Operating Request

Infrastructure

2012 Addition 1.1 FTE for revised capital allocations

2013 Reduction 1.0 FTE for one-time 2012 Road Cross Section Drawings & Approvals Operating Request
Increase 0.1 FTE for Heritage Asset Restoration Project Carryover Request
Reduction 0.2 FTE for various one-time 2013 operating requests
Addition 0.3 FTE for various 2013 Budget Transfers and July 2013 Corporate Reorg
Reduction 0.4 FTE for revised capital allocations
Reduction 0.9 FTE for Strategic Projects Manager position

2014 Addition 0.3 FTE for one-time 2014 Summer Student (Data Entry) Operating Request
Addition 0.1 FTE for City Park Drainage operating request
Reduction 0.1 FTE for one-time 2013 Budget Transfers
Addition 0.2 FTE for July 2013 Reorg.
Reduction 0.1 FTE for reversal of one-time 2013 Heritage Asset Restoration Project
Reduction 0.3 FTE on-going for the Communications Advisor operating request

Community Planning & Real Estate

2012 Addition 3.0 FTE for one-time 2011 vacant position Expenditure Reduction
Reduction 8.0 FTE for on-going 2012 Permit Revenue Decrease Operating Request
Annualization 0.7 FTE for 2011 Building Inspector/Plan Checker
Addition 0.2 FTE for various 2012 Operating Requests
Reduction 0.5 FTE for on-going and 0.2 FTE for one-time 2012 various Expenditure Reduction requests,
1.0 FTE for revised capital allocations.
Addition 1.5 FTE for reversal of one-time 2011 Admin Assistant and Planning Technician II Expenditure
Reduction Request
Reduction 3.5 FTE for on-going Environmental Technician, one-time Planner II, one-time Planning
Technician, one-time Planner Specialist Expenditure Reduction Requests

- 2013 Addition 2.6 FTE on-going moving City Hall Receptionists from HR & Corporate Performance for July 2013 Corporate Reorg
 Addition 2.0 FTE for reversal of one-time 2012 Planner II/Planner Specialist Expenditure Reduction
 Reduction 2.0 FTE for one-time 2013 Planner II and Planner Specialist Expenditure Reduction Request
 Addition 2.0 FTE for on-going 2013 Parking Equipment and Parking Management - Account Adjustments Operating Requests
 Reduction of 1.0 FTE on-going moving GIS Technician position from Community Planning & Real Estate to Information Services, 1.6 FTE on-going moving to Corporate Performance for the Portfolio Management Position through 2013 Budget Transfers
- 2014 Addition 1.0 FTE for one-time Manager, Strategic Land Development - Special Projects Operating Request and 0.3 FTE for various on-going operating requests
 Addition 2.0 FTE for reversal of 2013 one-time Expenditure Reduction for a Planner Specialist and Planner II positions

Active Living & Culture

- 2012 Annualization 0.3 FTE for 2011 Events Development Supervisor Operating Request
 Reduction 1.0 FTE for one-time 2012 Events Development Supervisor and 0.3 FTE for on-going 2012 Admin & Finance Part-time Wages Expenditure Reductions
- 2013 Addition 1.2 FTE for on-going 2013 Theatre Operation and Parkinson Activity Centre Operating Requests and 1.0 FTE for reversal of one-time 2012 Outdoors Events Supervisor Expenditure Reduction
 Addition 0.1 FTE from one-time 2013 Budget Transfer for Kelowna Paddle Centre
 Reduction 0.3 FTE for one-time 2013 Events & Festival Supervisor Expenditure Reduction
 Addition 0.5 FTE on-going for Grants & Partnerships Manager from July 2013 Corporate Reorg
- 2014 Addition 1.0 FTE for on-going Operating Requests KCT Staff Support & Budget Adjustments, Miscellaneous Budget Adjustments and Outdoor Event Wages.
 Addition 0.3 FTE from one-time 2013 Events & Festival Supervisor Expenditure Reduction
 Addition 0.5 FTE on-going for Grants & Partnerships Manager from July 2013 Corporate Reorg
 Reduction 0.1 FTE for reversal of 2013 one-time Budget Transfer for Kelowna Paddle Centre

Civic Operations

- 2012 Reduction 0.2 FTE for on-going 2012 Operations Clerk Expenditure Reduction
 Reduction 2.1 FTE for on-going and 2.5 FTE for one-time 2012 various Parks and Public Works Expenditure Reduction Requests
 Addition 1.3 FTE for various 2012 Public Works and Parks Operating Requests
 Annualization 0.5 FTE for 2011 Traffic System Specialist Operating Request
- 2013 Addition 1.5 FTE on-going for various 2012 Parks Operating Requests, 0.2 FTE on-going for various 2012 Building Services operating requests
 Reduction 0.5 FTE for on-going 2012 Mechanic Expenditure Reduction Request
 Addition 0.3 FTE for on-going 2013 various Transportation Operating Requests, 1.7 FTE for reversal of one-time 2012 various Transportation Operating and Expenditure Reduction
 Reduction 0.7 FTE for one-time 2013 Street Sweeping Operating Request, 0.5 for on-going 2012 City Yards Position Reassignment Expenditure Reductions
 Addition 0.6 FTE for on-going 2013 Environmental Tech II Operating Request
 Reduction 0.2 FTE from various one-time 2013 Budget Transfers
- 2014 Addition 0.8 FTE for on-going Traffic Technician Operating Request and 0.8 FTE on-going wages for various 2014 Operating Requests
 Addition 0.9 FTE from reversal of various one-time 2013 Budget Transfers and 2013 Street Sweeping Expenditure Reduction

Annualization 0.3 FTE wages on-going from various 2012 and 2013 Operating Requests

Communications & Information Services

- 2012 Reduction 0.7 FTE for removal of Environmental Technician through 2012 Budget Transfer
- Addition 0.8 FTE on-going 2012 Network Analyst Operating Request
- Annualization 0.2 FTE for 2011 Network Analyst Operating Request
- 2013 Addition 0.9 FTE for Communications Coordinator through 2013 Budget Transfer
- Addition 0.3 FTE for on-going 2013 Business System Analyst Operating Request
- Addition 1.0 FTE on-going moving a GIS Technician position from Community Planning & Real Estate to Information Services
- 2014 Addition 0.8 FTE on-going for Communications Advisor and Applications Systems Manager Operating Requests
- Reduction 0.9 FTE for Communications Coordinator through 2013 Budget Transfer
- Annualization 0.7 FTE on-going for 2013 Business System Analyst Operating Request

Corporate & Protective Services

- 2012 Addition 0.3 FTE for one-time 2012 Temporary Accountant Operating Request
- Reduction 0.1 FTE for on-going 2012 Relief Wages Expenditure Reduction Request, 0.5 FTE for one-time 2012 Cashier Expenditure Reduction Requests, 0.1 FTE on-going for Temporary Clerical - Purchasing Expenditure Request
- Annualization 0.3 FTE for 2011 Financial Analyst Operating Request
- Addition 0.5 FTE for Safety & Training Coordinator on-going operating request
- Reduction .5 FTE for on-going 2012 Bylaw Enforcement Officer Expenditure Reduction
- Addition 0.6 FTE one-time for Credit Management Project - Revenue carryover and 2.8 FTE one-time for Tangible Capital Assets carryover
- 2013 Reduction 3.4 FTE for reversal of one-time 2012 Credit Management Project - Revenue and 2012 Temporary Accountant Carryover Requests
- Reduction .5 FTE for on-going 2012 Bylaw Enforcement Officer Expenditure Reduction
- Reduction .3 FTE for one-time 2012 Temporary Accountant Operating Request
- Addition .5 FTE for one-time 2012 Cashier Expenditure Reduction Requests
- Addition .3 FTE on-going for the Accountant - Transit & Revenue operating request
- Reduction 1.0 FTE on-going for the Parking Management - Account Adjustments Operating Request
- 2014 Addition 0.2 FTE one-time for 2014 Local Government Election Operating Request
- Annualization 0.8 FTE for on-going 2013 Asset Management Accountant/Accountant Transit & Revenue Operating Request
- Addition 2.0 FTE on-going for Bylaw Enforcement Officer. This results in no physical addition of staff, budget was increased to match actual experience

Police Services

- 2012 Reduction 1.0 FTE for one-time 2012 Crime Prevention Officer Expenditure Reduction Request, 0.6 FTE for on-going 2012 Part Time support and Summer Student Expenditure Reduction
- 2013 Addition 0.8 FTE for on-going 2013 Exhibit Control Officer Operating Request, 1 FTE for one-time 2012 Crime Prevention Supervisor Expenditure Reduction
- Reduction 1.0 FTE for on-going 2013 Community Police Program Coordinator Expenditure Reduction
- Addition 0.8 FTE for part-time wages through 2013 Budget Transfers
- 2014 Addition 0.7 FTE for on-going Operations Clerk - Police Services Operating Request
- Annualization 0.3 FTE for ongoing 2013 Exhibit Control Officer Operating Request
- Addition of 0.8 FTE for one-time Computer Support Technician Operating Request

Human Resources & Corporate Performance

- 2012 Addition 0.5 FTE for one-time 2012 Human Resource Coordinator Operating Request
- 2013 Reduction 1.0 FTE moving Secretary position to Mayor & Council
Reduction 0.5 FTE moving Grants & Partnership position to Active Living & Culture from July 2013 Corporate Reorg
Reduction 0.5 FTE one-time for 2012 Human Resource Coordinator Operating Request
Reduction 2.0 FTE moving City Hall Receptionist positions to Community Planning & Real Estate from July 2013 Corporate Reorg
Addition 1 FTE for Portfolio Manager position, reduction 1 FTE for Strategic Initiatives Director position
- 2014 Addition 0.5 FTE for on-going wages related to Human Resources Student Co-Op Program
Reduction 0.5 FTE annualizing moving Grants & Partnership position to Active Living & Culture from the July 2013 Corporate Reorg.

AIRPORT & UTILITY FUNDS**Airport**

- 2012 Reduction 0.2 FTE for one-time 2011 Seasonal Mechanic Operating Request
- 2013 Reduction 0.9 FTE for on-going 2013 Airport Staffing Changes Reduction Request

Electrical

- 2013 Reduction 0.8 FTE on-going for Electrical Utility Restructure Operating Request
- 2014 Annualization 0.2 FTE on-going from 2013 Electrical Utility Restructure Operating Request

Wastewater

- 2012 Addition 0.4 FTE for on-going 2012 Rights of Way Inspection Operating Request
Reduction 1.1 FTE for one-time 2012 Operator II Expenditure Reduction Request
- 2013 Addition 1.0 FTE for one-time 2012 Operator II Expenditure Reduction Request
Reduction 1.0 FTE for one-time 2013 Operator II Expenditure Reduction Request
Addition 0.5 FTE from one-time 2013 Budget Transfers
Addition 0.1 FTE for various 2013 Operating Requests
- 2014 Addition 0.9 FTE for reversal of various one-time 2013 operating requests
Reduction 1.0 FTE for wages related to one-time Operator II Position
Reduction 0.3 FTE for various one-time Budget Transfers
Addition 0.1 FTE for Electrical Fund Removal Operating Request

Water

- 2012 Addition 0.2 FTE for on-going 2012 various Water Operating Requests
Reduction 0.4 FTE on-going and 0.7 FTE for one-time 2012 various Water Expenditure Reduction
- 2013 Reduction 1.3 FTE for various 2013 one-time Budget Transfers
Addition 0.6 FTE from one-time 2012 Water Service Operations Reduction Request
Reduction .6 FTE for one-time Hydrant/Bulk Water Connection Expenditure Reduction
- 2014 Addition 0.6 FTE wages for reversal of 2013 one-time Hydrant/Bulk Water Connection Expenditure Reduction
Reduction 1.0 FTE for one-time Water Quality Technician Position Pilot Program
Addition 1.3 FTE for Water Quality Technician Pilot Program and Pumpstation Operator Operating Requests
Addition 1.3 FTE from reversal of 2013 one-time Budget Transfers
Addition 0.1 FTE for Electrical Fund Removal Operating Request