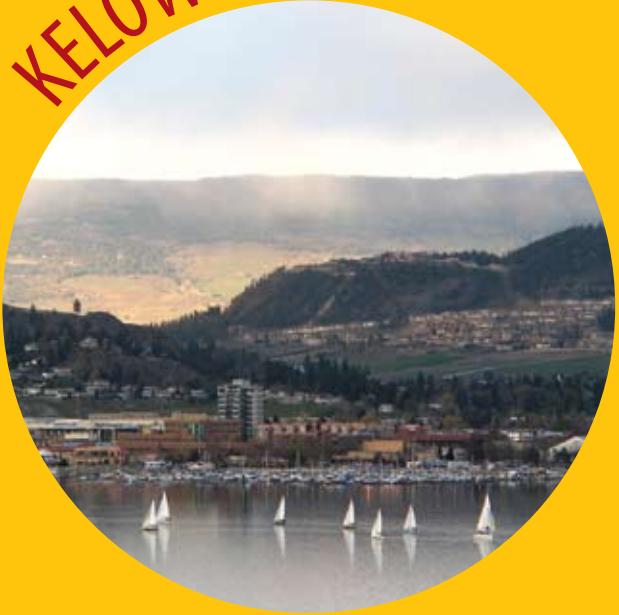


# *Vibrant City*

KELOWNA



2008 ANNUAL REPORT  
**CITY OF KELOWNA**  
**BRITISH COLUMBIA, CANADA**

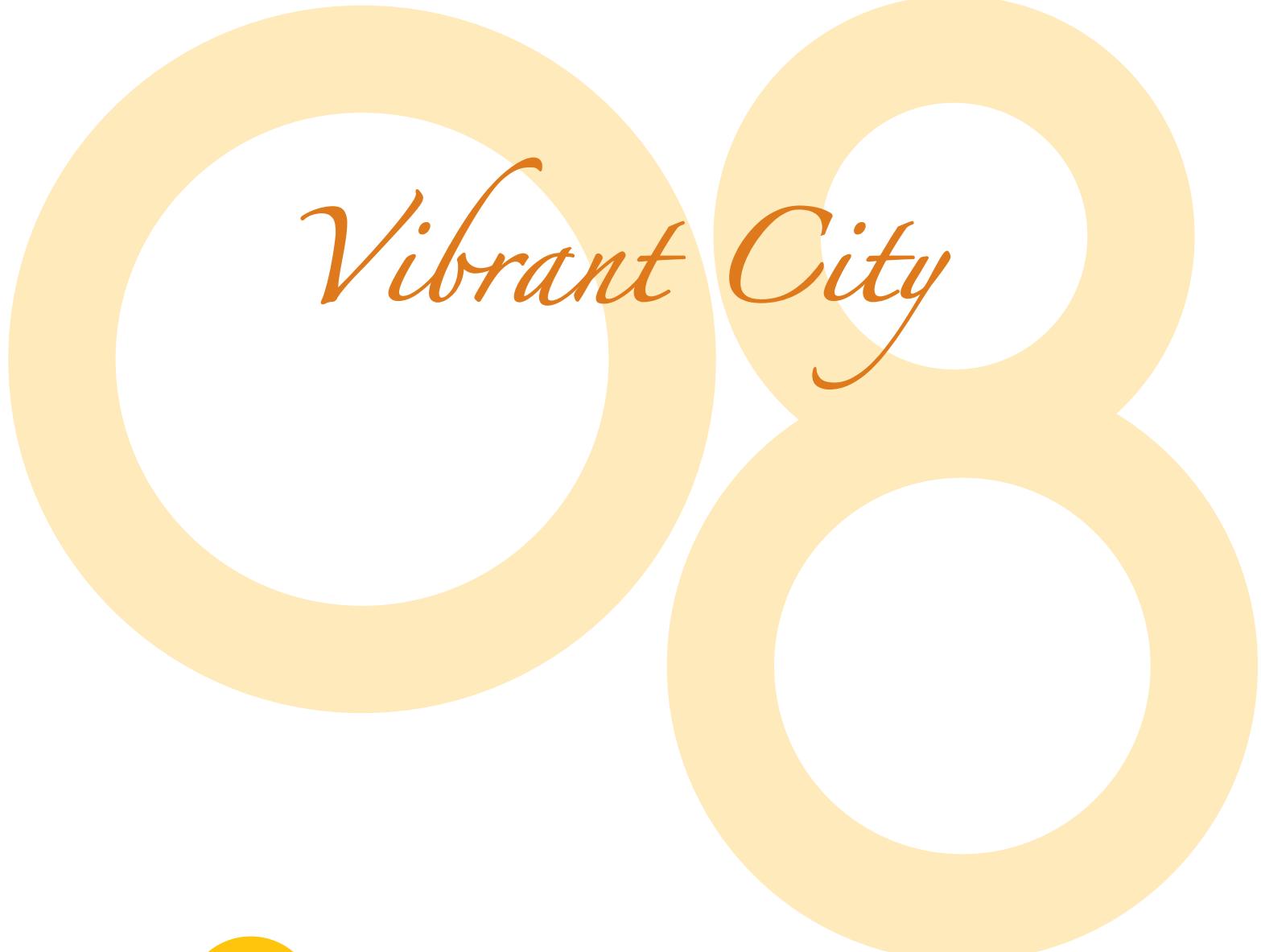
For the year ended December 31, 2008

## **MISSION**

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

*Vibrant City*





# Vibrant City

**2008 ANNUAL REPORT**

CITY OF KELOWNA, BRITISH COLUMBIA, CANADA

*Produced by the Community & Media Relations and Financial Services Departments of the  
City of Kelowna in cooperation with all civic departments and agencies.*



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**AT A GLANCE**

**113,000**  
population

**1.38**  
million  
airport passengers

**9,600**  
business licenses

**8,500**  
hectares  
agricultural  
land

**4**  
million  
transit ridership

**214 km<sup>2</sup>**  
land area

**48 km<sup>2</sup>**  
water area

**\$33 m**  
protective services

**\$900,000**  
non-profit  
tax exemptions

**1,400**  
housing starts

**32,000**  
recreation  
programming hours

**2,000 HOURS**  
of sunshine  
annually

**242**  
km bike lanes

**832**  
hectares  
parkland

**0°C**  
average daytime  
high January

**27°C**  
average daytime  
high July

**\$524 m**  
building permits

## VIBRANT CITY

**Vibrant City captures our vision for Kelowna and guided our work throughout 2008. Beyond the title on the cover page, you will see dozens of examples of how we responded with concrete actions and results in 2008 to build a safe and sustainable community.**

Working with our citizens, we laid the groundwork for our future Official Community Plan, *Kelowna 2030: Greening our Future*, which will guide development over the next 20 years. The public joined with us as we developed comprehensive plans which put sustainability in the forefront for the planning of the Central Green site and the revitalization of the heart of our downtown. We also unveiled our long term vision for our downtown waterfront parks.

Through our annual survey, we engaged our citizens on what makes our city liveable. We heard the importance of the look and character of the city, making our community safe and secure, and the need to protect our air, water and green spaces. In 2008, 72 per cent of residents reported that the City had a positive influence on their quality of life.

Environmental protection is a pillar of the City's strategic plan and a strong priority for our residents. Kelowna was named the 2008 Solar Community of the Year and plans are underway to install solar hot water systems at the Athans Pool at the Kelowna Family Y in 2009. Leading by example, we're reducing greenhouse gas emissions by 20 per cent and conserving water by 15 per cent in all civic buildings.

**2008  
Best Blooming  
Community in  
Canada**

For citizens, firefighting services and policing are the most important services of the City. In 2008, eight RCMP members were added to the Kelowna Detachment, including a Domestic Violence Coordinator. Subsequently, we saw a decrease in domestic abuse, crimes against persons, break and enter and drug offences. Emergency preparedness and prevention remained a key part of the Fire Department's work.

Managing growth continued to be the top issue in our community. Sustainability and strong urban design guide our development decisions and investment in transportation infrastructure. Active transportation remains a priority and 2008 saw expansion of express transit service, transit ridership reach over 4 million, and the opening of the first phase of the multi-use Rails with Trails pathway.

2008 was also about connecting communities and the safe, efficient movement of people and goods through the growing region. The City invested \$25 million on east approach improvements for the new five-lane W. R. Bennett Bridge and \$16.3 million to expand facilities at the Kelowna International Airport, including a runway extension to accommodate future intercontinental flights.

Recreation, leisure and cultural pursuits are the pulse of Kelowna's vibrancy. Through KickStart Kelowna, the City is bringing the message to *be active-stay active* to schools, workplaces and the community. Work on the largest publicly-owned water park in Canada was on time and on budget.

**Canadian Award for  
Financial Reporting**

Sport tourism continued to be a dominant force in our economy. Major events and competitions attracted thousands of participants and spectators, bringing millions to the local economy and injecting energy into our city. As host community for the 2008 BC Summer Games, Kelowna saw a direct economic impact of \$2.6 million. In response to increased recreation and tourism demands, the City led a regional mountain bike strategy and partnered with the Regional District to prepare a plan for expanded recreational marine facilities in the Central Okanagan.

As 2008 drew to a close, the buoyant economy of the first part of the year began to decline. Sound fiscal management continues to safeguard the City's assets and ensure cost-effective operations. Support for business and tourism, and investment in a strong quality of life for residents and visitors, has provided us a vibrant base to build from during the economic downturn.



Sharon Shepherd  
*Mayor City of Kelowna*

**2008  
Solar Community  
of the Year**



**Planning Award of  
Excellence for  
Downtown Sign Plan**

Placed second in  
the BC Green  
Cities Awards

## MESSAGE FROM THE CITY MANAGER

2008 was a year of transition. As we faced changes in the economy and completed an organization restructuring, we strived to put people first. This focus on customer service and staff development steered our efforts to build a sustainable, vibrant city. We've also embarked on a new way of reporting on our progress to our residents with a new look to our annual report. Highlighted are the steps we've taken over the last year to foster a healthy, active community, protect our environment and manage our city's growth through investments in sustainable infrastructure.



Ron Mattiussi  
*City Manager*



# STRATEGIC PLAN

## VISION

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

## GOALS

### Quality of Life:

*To foster the social and physical well-being of residents and visitors.*

- Promote health and wellness initiatives
- Ensure the availability of fiscal and human resources to provide quality City services
- Reduce traffic congestion on City streets and Highway 97
- Realize construction of housing forms and prices that meet the needs of Kelowna residents
- Achieve accessible, high quality living and working environments
- Provide infrastructure that keeps pace with population growth and evolving opportunities
- Sensitively integrate new development with heritage resources and existing urban, agricultural and rural areas
- Provide meaningful opportunities for a broad range of input from residents and agencies on major directions taken by the City

### Economy:

*To foster a strong, stable and expanding economy.*

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

### Environment:

*To maintain, respect and enhance our natural environment.*

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

**Foster the social and physical well-being of residents and visitors.**

### TAKING ACTION IN 2008

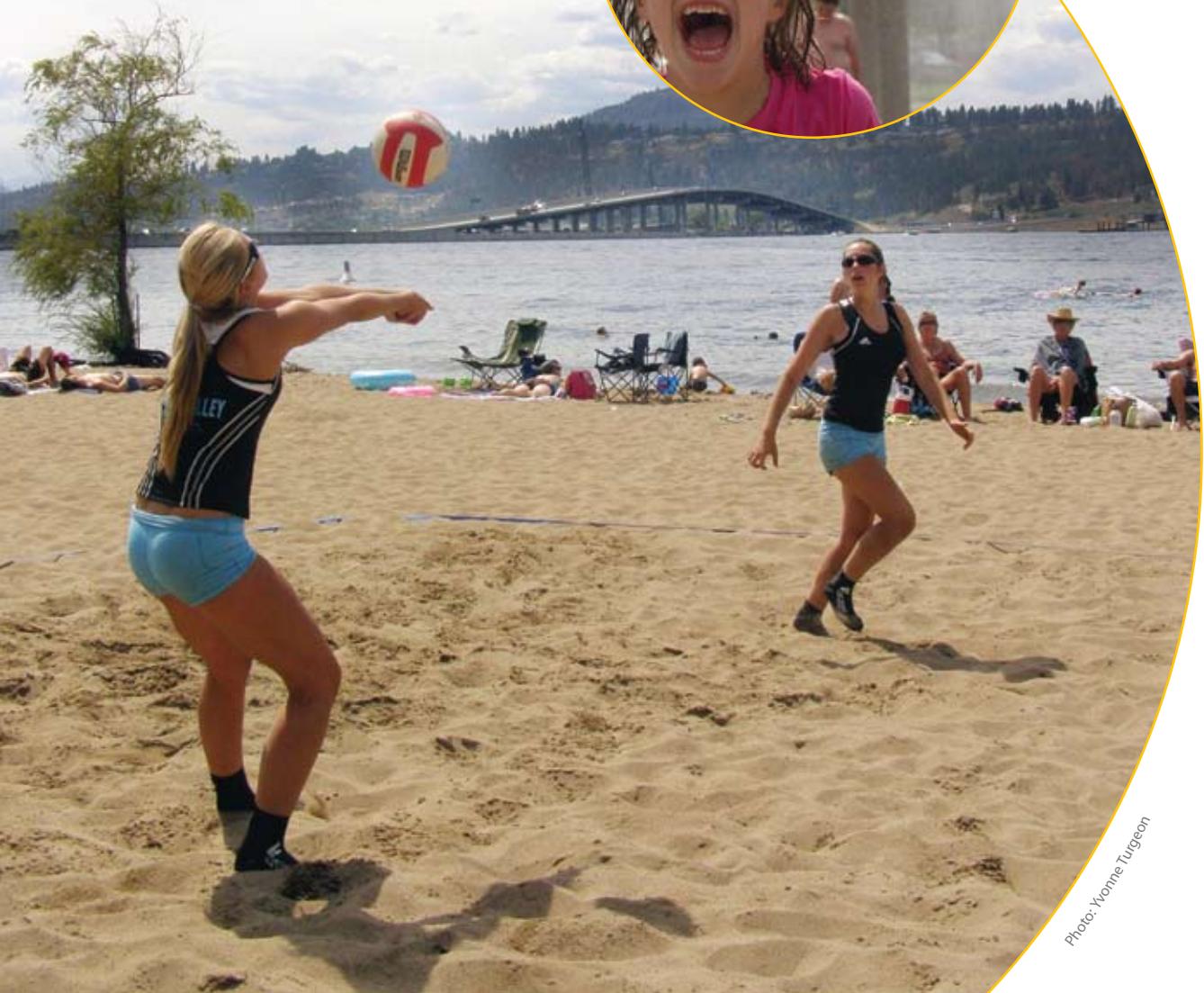
- Promote health and wellness initiatives
- Ensure the availability of fiscal and human resources to provide quality City services
- Provide meaningful opportunities for a broad range of input from residents and agencies on major directions taken by the City



**100+**  
community sport  
leagues



Photo: Yvonne Turgeon



## A HEALTHY, ACTIVE COMMUNITY

### RECREATION

Recreation, leisure and cultural pursuits top the list for making Kelowna a liveable city. In our 2008 citizen survey, 90 per cent of residents reported that green spaces for recreation and enjoyment are extremely important, followed closely with 73 per cent stressing the importance of recreational programming.

The City continued to support a healthy, active community. Kelowna was the first community in British Columbia to sign on with the Active Communities initiative and last year provided 32,000 hours of recreational programming.

#### Aquatic Centre

Work on the \$46-million H<sub>2</sub>O Adventure + Fitness Centre was on time and on budget. The new 96,000-square-foot centre includes an Olympic-size 50-metre, eight-lane swimming pool, wave pool and the largest indoor civic water park in Canada and opens to the public in April 2009.

#### KickStart Kelowna

Through KickStart Kelowna, the City is bringing the message to *be active-stay active* to schools, workplaces and the community. The community driven initiative has gained provincial recognition for its efforts to create awareness of the benefits of physical activity. Last year, KickStart teamed up with 12 businesses to offer free weekly Active

Workplace classes. In summer, a new Park and Play program saw families participate in games and activities at local community parks.

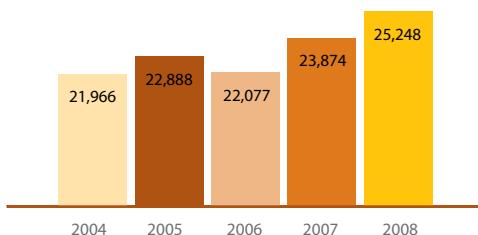
**20%**

KickStart is part of a five-year program to increase physical activity in our community by 20% by 2010.

### Healthy Food Choices

A five-year plan was approved to bring healthier foods to City recreational and sports facilities. Considerable public and concession-operator input was received on the implementation of the plan. The Rutland and Memorial Arenas were the first to see concession renovations and new equipment to improve healthy food and beverage choices and reduce trans fats and introduce the Checkmark System to identify healthier foods for a healthier lifestyle.

### Recreation & Cultural Program Registrations



Source:  
City of Kelowna Recreation, Parks and Cultural Services Department

### PARKS

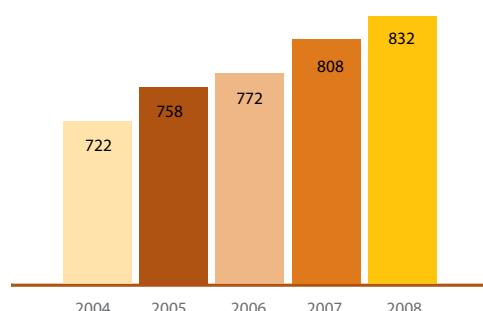
The City continued to invest in its extensive park system which offers great outdoor experiences for all ages, any day of the year. Showcase waterfront parks provide access to Okanagan Lake, part of why Kelowna is a great place to live. Neighbourhood parks provide playgrounds, open spaces and picnic areas for children, families and seniors to enjoy and natural parks play an important role in protecting and conserving wetlands and hillsides. The linear parks system provides convenient access to natural spaces and trails for commuters.

#### Park Development

The City unveiled plans for its downtown waterfront parks. Spanning 1,300 metres along Okanagan Lake, the plan connects City, Kerry and Stuart Parks. Following construction of a civic plaza and ice rink in Stuart Park in 2009, long-term plans include rebuilding Kelowna's historic aquatic pavilion.

### Municipal Parkland

hectares



*Source:*  
City of Kelowna Recreation, Parks and Cultural Services Department

The City reached out to residents for input into the new design for a fully accessible playground outside the Parkinson Recreation Centre. The playground aimed at young children with physical disabilities is funded through the Let's Play Project initiative of the Rick Hansen Foundation. Residents also provided input into concept plans for new parks at the Central Green development and at the end of Gerstmar Road near Mission Creek.

Two softball diamonds at Mission Recreation Park, trails in the Southridge neighbourhood and McCarron Park, and a phase of the Mill Creek Linear Park were completed. New playgrounds were installed at Blair Pond Park, Carney Park and Lund Park. The City continued to maintain a standard of 2.2 hectares of green space per 1,000 population growth.

### Mountain Bike Strategy

The City consulted on a regional mountain bike strategy, seeking public input on prioritizing the location of future mountain bike skills parks and potential routes for daylong rides. The strategy builds on a profile of the local mountain biking community completed in 2007.

### Water Park Upgrade

Responding to the call for stricter health and safety regimes, the City set a new standard for spray parks within the Interior Health Authority jurisdiction. With the upgrades to the water treatment at City Park's water park, children now enjoy splashes with drinking water quality.

## ARTS & CULTURE

From its vibrant Cultural District in the downtown to its extensive public art collection, the City continued to invest in cultural services and provide leadership to cultural development.

### Cultural and Heritage Grants

The City invested \$3.1 million in support of arts, culture and community events. Annual grants for cultural development and heritage protection included \$19,000 to support heritage building conservation, \$77,000 to non-profit cultural groups, and \$95,000 to the professional art organizations of the Alternator Centre for Contemporary Art, Ballet Kelowna and the Okanagan Symphony.

### Public Art

The 104 'Spirit of Kelowna' medallions, created by local residents under the mentorship of local sculptor Geert Maas, were installed in City Hall. The Arborvitae 'tree of life' mural was installed at the Cardington Apartments on St. Paul Street. Created by Vancouver-based artists Marie Bortolotto and Oliver Harwood, the natural stone piece frames the main doorway of the supportive housing project.

In 2008, the City called for public art proposals valued at \$200,000 for the east gateway to the W. R. Bennett Bridge, \$100,000 for the west facade of the new H<sub>2</sub>O Adventure + Fitness Centre and \$30,000 for the deck of a former roadway bridge crossing Mill Creek at Pandosy Street.

### Culture Matters

The Mayor's Youth Forum on culture surveyed 500 high school students and brought 50 students together to find ways to increase cultural awareness.

Recommendations stemming from the forum called for increased marketing of cultural programs to youth and more youth-targeted events.

**45%**  
of residents enjoy  
Kelowna's parks and  
green spaces on a  
weekly basis

## PROTECTIVE SERVICES & PUBLIC SAFETY

For Kelowna residents, a great city in which to live and work is a safe city. During the 2008 citizen survey, the majority of residents reported they feel safe and secure in their community, with 14 per cent indicating concerns. Firefighting services (93 per cent) and police service (92 per cent) are the most important services the City provides to citizens.

In 2008, the City continued to invest in protective services and educational outreach. The majority of residents were satisfied with protective services, with 80 per cent very satisfied with firefighting services.

### Fire Services

Operating from seven fire stations, the Kelowna Fire Department responded to 10,380 calls, including 3,640 alarms, fires and motor vehicle accidents, 4,880 medical first responder calls and a number of rescue and hazardous materials incidents. The Dispatch Centre, which handles 9-1-1 calls for all fire departments within the Regional District of the Central Okanagan, processed 18,000 incidents in 2008. Trained volunteer firefighters continued to contribute greatly to emergency efforts in outlying areas of the city.

Emergency preparedness continued with emergency exercises involving over 500 people, training unified command, Fire, Police and BC Ambulance Services, and activating the Emergency Operations Centre.

Fire prevention remained a key part of the Department's outreach. In 2008, staff completed 58 fire investigations, 1,650 life and safety inspections, 860 public service and educational presentations, and 98 fire extinguisher training sessions. During

Fire Prevention Week, information booklets were delivered to over 2,000 students within the city.

### Community Safety

Eight RCMP members were added to the Kelowna Detachment including two Crime Reduction Target Team Members, a Domestic Violence Coordinator and an Organized Crime Coordinator. As part of the plan for policing the downtown entertainment district, taxi cab parking and restricted parking zones for emergency vehicles were put in place.

Compared to last year, 2008 saw a decrease in calls to the RCMP, down to 69,000 from 70,000, a decrease in drug offences by 62 per cent, break and enters by 30 per cent and crimes against persons by 16 per cent. Theft of motor vehicles continued to rise as did incidents of theft over \$5,000.

Volunteers continued to play an important part in public safety, with more than 250 auxiliary constables and citizens on patrol and in community policing, victim services, and speed watch programs.

In 2008, Bylaw Services saw a 10 per cent increase in complaints to 8,700, with the most common being noise complaints and parking issues. Bylaw continued its bike patrols to bring staff closer in contact with the public.

### Safer Beaches

The City introduced the Park Ambassador Program to keep beaches and beach accesses cleaner and safer during the busy summer months. RCMP and Bylaw presence was also increased to help discourage unwanted activities. The Ambassador program stems in part from the 2007 Mayor's Youth Forum where youth indicated safety and cleanliness were two of their main concerns when it came to municipal parks.

## LOOKING FORWARD TO 2009

- Opening of the H<sub>2</sub>O Adventure + Fitness Centre
- Taking a neighbourhood approach to recreational programming
- Expanding the park system, including Stuart Park
- Adding linear trails and bike lanes
- Reducing the effects of organized crime



Photo: Wayne Moore, City of Kelowna

Foster a strong, stable and expanding economy.

### TAKING ACTION IN 2008

- Aid in the growth and progress of Kelowna as a desirable place to do business
- Aid in the growth and progress of Kelowna as a desirable place to visit, shop and tour
- Increase the diversity of employment opportunities



# A GROWING, PROGRESSIVE ECONOMY

## VIBRANT CENTRES

Kelowna is a desirable place to visit, shop and tour. In our 2008 citizen survey, residents reported that location really does matter, with 60 per cent very satisfied with their access to stores and services. The City continued to partner in support of economic and tourism development and prepared for future growth.

### Airport Expansion

Kelowna International Airport is a gateway to the Southern Interior and a vibrant part of the economic prosperity of the Okanagan Valley. The Airport represents an employment cluster of nearly 2,000 jobs and \$310 million in economic activity annually. In 2008, construction was completed on an \$8.3-million pre-board security screening area, expanded departures room, restaurant services and an \$8-million runway extension to accommodate intercontinental flights. Passenger volumes reached record levels to 1.38 million, a two per cent increase over 2007.

### Uptown Rutland

The Uptown Rutland Business Improvement Area was established in 2008 to restore Uptown Rutland as a vibrant town centre.

### Funding New Development

The City continued its approach that the cost of new road, utility and park infrastructure should primarily be the responsibility of developers. High land and construction costs experienced throughout most of 2008 drove development cost charges up to between eight and 11 per cent, varying by city sector. Overall, charges represented less than five per cent of the overall selling price of a home.

### Host City

More than 100 outdoor event applications were

processed to accommodate small events, large festivals and competitions, such as the Canadian Triathlon Championships, Boat and Leisure Show and the Centre of Gravity Volleyfest. Funding of \$33,350 from the Sports Event Development Grants supported local sport organizations to host 20 events of provincial, national and international scope. From the BC Junior Curling Championships to the World Arm Wrestling Championships, events attracted thousands of participants and spectators, bringing \$7.5 million to the local economy.

As host community for the 2008 BC Summer Games, Kelowna saw a direct economic impact of \$2.6 million. The City contributed \$60,000 in support of the Games which drew 2,200 athletes and 2,500 volunteers.

### Planning for Growth

Planning for future development continued with the purchase of more than 14 acres of land at a cost of \$17.5 million.

### Mobile Business

2008 was the first year of the Mobile Business Licence Program designed to simplify business licensing and reduce costs for contractors and tradespeople doing business in more than one Okanagan community. More than 630 business licences were issued under the new program. Overall, 9,500 business licences were issued in 2008.

### Aquatic Staff Recruitment

The City's Parkinson Recreation Centre coordinated marketing efforts with the Kelowna Family Y and West Kelowna's Johnson-Bentley Memorial Aquatic Centre to recruit lifeguards. With the new H<sub>2</sub>O Adventure + Fitness Centre, an additional 60 aquatic staff will be required in addition to maintaining current staff levels at the three pools.

## LOOKING FORWARD TO 2009

- Initiate the revitalization of Bernard Avenue in the City's downtown
- Conduct a study of cultural impacts benefits
- Initiate a review of the Downtown Plan

Maintain, respect and enhance our natural environment.

### TAKING ACTION IN 2008

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

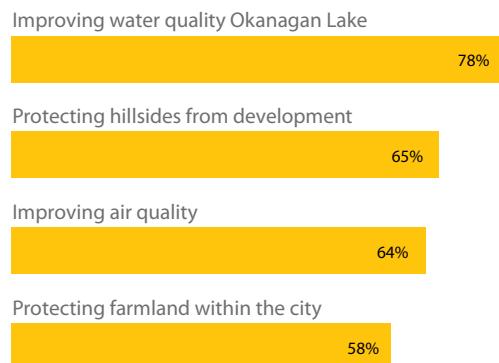


# A NATURAL, PROTECTED ENVIRONMENT

## ENVIRONMENTAL PROTECTION

Environmental protection is a pillar of the City's strategic plan and strong priority for our residents. Overall satisfaction with environmental protection remains high among residents polled in the 2008 citizen survey, with one quarter of residents very satisfied with the City's efforts. In 2008, the City continued its environmental protection and educational outreach, including protecting natural areas and water quality, which are top priorities for residents.

### Priority Environmental Issues



*Source: Citizen Survey 2008*

## Green City

For the second year, LiveSmart BC Green Cities awarded the City of Kelowna second place in the category of population over 100,000. The awards recognize innovative local governments that are making a difference, designing sustainable and vibrant communities that encourage physical activity, energy conservation and produce environmental benefits.

## Solar City

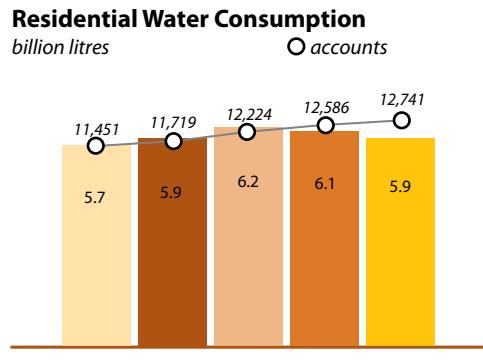
Named 2008 Solar Community of the Year, the City has embarked on several solar projects in recent years including solar-powered parking kiosks and pedestrian signals. In 2008, the City partnered with Carmanah Technologies Corporation and Natural Resources Canada to install 100 solar-powered lights in public spaces – illuminating trails, parks, transit stations and civic buildings.

As a Solar BC community, the City took a leadership role to develop the market for solar hot water. A community-based Solar Steering Committee was formed with FortisBC, Terasen Gas and the Okanagan Environmental Industry Alliance to explore civic and community solar initiatives. Plans are underway to install solar hot water systems at the Athans Pool at the Kelowna Family Y in 2009.

## Water Conservation

The City continued to ensure the delivery of safe water by complying with high quality standards. Water conservation efforts focused on reducing water consumption in civic buildings to meet the City's goal of a 15 per cent reduction by 2012 and reducing water use for landscape irrigation. Working with stakeholders, new standards were drafted to ensure water efficient landscaping in new construction. A comprehensive rate review was conducted and rate adjustments will be made in 2009 to ensure the equitable distribution of costs among various customer classes.





Source:  
City of Kelowna Works and Utilities Department

### Energy Management Plan

The City developed an Energy Management Plan that targets the reduction of 20 per cent of all greenhouse gas emissions from civic buildings by 2011. Lighting upgrades to the Apple Bowl, Rutland Arena and the gymnasium at the Parkinson Recreation Centre were completed, part of a multiple-year \$1.3 million investment in energy saving retrofits.

### Commercial Energy Audits

The City teamed up with FortisBC and Terasen Gas to offer free energy audits for small store-front businesses in Uptown Rutland and Downtown Kelowna last summer. Based on their specific energy needs, business owners can make informed choices about conserving energy and reducing greenhouse gas emissions.

### Pesticide Bylaw

The City passed the Pesticide Regulation Bylaw which restricts the use of pesticides on residential property. The first in the Interior, Kelowna's move followed many Lower Mainland communities that restricted chemical use. Since 2005, more than 150 municipalities in Canada have passed bylaws and the Union of B.C. Municipalities has called on the provincial government to implement a province-wide prohibition. Numerous letters and petitions were received in support of the bylaw.

To ensure a high standard of pest management for City parks, Kelowna was the first municipality to be accredited by PlantHealth BC.

### Environmental Outreach

The City's educational programs encouraged students to foster respect for the environment through interactive learning and hands-on adventures in watershed and airshed health. Through school presentations and public events such as Family Environment Day, Mayor's Environmental Expo and the Kokanee Salmon Festival, outreach environmental programs reached 14,000 people in 2008.

### Habitat Protection

The City continued to ensure development activities adjacent to environmentally sensitive areas adhered to the approval process. New aquatic habitat compensation policies provided for further protection to the Mill Creek waterway. With support from the Okanagan Basin Water Board, the City used Sensitive Habitat Inventory and Mapping (SHIM) methodology to identify and inventory creeks and their associated habitats and fisheries values. Steps were taken to control the European feral rabbit population and, with the assistance of federal and provincial funding, approximately 1,200 pine beetle-infested trees were removed from City properties. Three thousand seedlings were replanted in affected areas.



**14,000**  
reached through  
environmental  
educational programs



#### Air Quality

2008 was the first year operating under the valley-wide Air Quality Management Plan. The City continued proactive bylaw enforcement of open burning regulations and air quality monitoring.

Air quality ratings remained good in 2008 with the Ministry of Environment Kelowna monitoring site not recording any hours when the air quality index was within the 'fair' or 'poor' range. Promotion of anti-idling and the older vehicle BC Scrap-It and Woodstove Change Out programs continued to raise awareness of air quality and supported residents to make positive changes.

#### Emissions Study

Kelowna International Airport completed a greenhouse gas emission study, comparing levels to the 2003 baseline study. Recommendations for priority actions will be brought forward in 2009.

#### Waste Management & Recycling

The City approved a new automated curbside collection system for garbage, yard waste and recyclables which will increase service levels and address the difficulty that waste collectors were having recruiting and retaining employees.

A comprehensive site development plan was approved for the Glenmore Landfill to meet solid waste and recycling needs until 2075. The recycling depot was expanded in 2008, and a new organics compost area and a surface water dam were completed at a cost of over \$2.2 million. Further expansion to the landfill leachate capture system and landfill gas recovery system is planned for 2009.

**10,500 tonnes**

construction waste  
diverted from the  
landfill



#### LOOKING FORWARD TO 2009

- Retrofit Rutland Arena ice plant to conserve water by 15 per cent
- Installation of solar water heating in the Athans Pool to reduce greenhouse gas emissions
- Landscape and irrigation standards for new developments
- Expansion of the Regional Compost Facility
- Set priority actions from the Kelowna International Airport 2008 Greenhouse Gas Study

**Foster the social and physical well-being of residents and visitors.**

### TAKING ACTION IN 2008

- Reduce traffic congestion on City streets and Highway 97
- Realize construction of housing forms and prices that meet the needs of Kelowna residents
- Achieve accessible, high quality living and working environments
- Provide infrastructure that keeps pace with population growth and evolving opportunities
- Sensitively integrate new development with heritage resources and existing urban, agricultural and rural areas
- Provide meaningful opportunities for a broad range of input from residents and agencies on major directions taken by the City



**4  
million  
transit ridership**

**\$176,000  
housing grants**

Photo: Andrew Benes

# DIVERSE AND SUSTAINABLE INFRASTRUCTURE

## SUSTAINABLE GROWTH

Managing growth continued to be the top issue for residents in 2008. The City supported development and invested in transportation infrastructure with a focus on sustainability.

### Development Activity

In 2008, Kelowna continued to experience high levels of development compared to similar sized cities across Canada. The City processed 1,400 development applications and subdivided 650 lots. The value of construction permits was \$524 million, nearly a 40 per cent increase over five years ago.

### Downtown Revitalization

To encourage the revitalization of a four block area in the heart of downtown, a Comprehensive Downtown Development Zone was formed. Using ideas from the public, interest groups and landowners, the comprehensive plan will guide future growth if adopted. The plan enhances safety, preserves the area's heritage and supports sustainable living – including affordable housing and public parks. Council will give final consideration to the plan in 2009.

### Central Green

Working with the community, a conceptual plan was created for a sustainable development on the vacant five-hectare site located at Richter Street and Harvey Avenue. A community park is an integral part of the proposed development and will provide green space and facilities for the larger city centre.



### Greening our Future

In 2008, the City asked residents for their ideas on how sustainable principles can be integrated into land-use, development and transportation policies in the 2030 Official Community Plan. Following eight months of public consultation and review, new policies were drafted. The draft plan called for ten bold moves to develop Kelowna as a sustainable community:

- Reduce urban sprawl and focus growth in urban centres.
- Develop a sustainable open space network that protects and enhances sensitive ecosystems and provides exceptional recreational opportunities.
- Develop distinctive, walkable, mixed-use communities that are welcoming and accessible for all.
- Address housing needs of all residents through a variety of housing options including ownership, rental and non-market housing.
- Provide for safe and convenient passage along transportation networks with priority allocated to active modes of transportation (walking and cycling).
- Improve the energy efficiency and environmental performance of new buildings.
- Ensure long term availability of commercial and industrial lands and support business development.
- Emphasize a healthy local food system by supporting commercial agriculture and innovative community agricultural activities.
- Consider and respond to the needs of community members in all land use and development decisions.
- Take a sustainable approach to City infrastructure investment.

### Affordable Housing

A new 30-unit supportive housing development opened in 2008. The Cardington Apartments project was made possible with a funding partnership between the provincial and federal governments and a land grant from the City. The City partnered with BC Housing to construct an additional 140 supportive housing units on three City-owned properties. The developments are expected to open in mid-2010.

The City designated 23 City-owned homes as affordable rentals and provided \$176,000 in housing grants to support the construction of non-profit rental housing. A review was undertaken to improve the process which provides incentives to developers to construct affordable housing. Recommended policy changes are expected in 2009.



**211**  
affordable  
housing units  
pledged

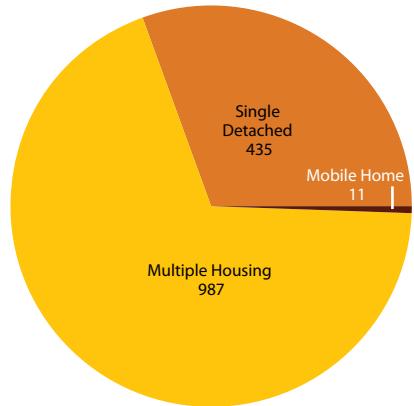
### Water and Wastewater Investments

Construction began on a new \$7 million Cedar Creek Pump Station which will meet the long term water needs of South East Kelowna. Located within a public park, the station was built into a hill to create energy efficiency and help it fit into the topography. Construction started on a \$60 million wastewater treatment plant expansion that will increase capacity to 70 million litres per day and accommodate wastewater servicing needs beyond 2030.



**1,984**  
building permits

**New Residential Units**  
2008 Total: 1,433



*Source:  
City of Kelowna Planning and Development Service Department*

## SUSTAINABLE TRANSPORTATION

The City ranked as one of the top 10 cities in Canada to adopt sustainable transportation practices. Kelowna placed tenth in the national Smart Transportation Ranking Report, improving on its ranking from 2006 and bypassing a number of larger Canadian cities. The City received high marks for its green municipal fleet which boasts four hybrid vehicles, 18 smart cars and a transit system running entirely on alternative fuel. The City also saw growth in housing density with apartment housing starts increasing, now representing almost one third of all housing types within the city.

### Transit

Ridership on Kelowna Regional Transit rose by 13 per cent in 2008, with ridership reaching over four million. Transit services were expanded by 25 per cent by adding three new routes including express service between downtown and UBC Okanagan and additional service on Saturdays and Sundays. UBC Okanagan student ridership rose by 20 per cent and an estimated 40 per cent of all student trips to and from the campus are via transit. The transit fleet of 65 buses runs on five per cent bio-diesel fuel.

### Rails with Trails

A 1.8-km pathway extending from Gordon Drive to Spall Road was opened, providing a paved pathway for cyclists and pedestrians. The pathway is part of a multi-year plan to connect neighbourhoods to recreational facilities, the downtown Cultural District and waterfront parks.

### Road Improvements

Major road construction included \$25 million east approach improvements for the W. R. Bennett Bridge, the completion of the \$9.3 million re-construction of Swamp Road and \$4.3 million on paving, sidewalk and bike lanes.

### Marina Facilities

In response to increased recreation and tourism demands, the City partnered with the Regional District to prepare a plan for expanded recreational marine facilities in the Central Okanagan. The future plan for sustainable facilities was developed through extensive consultation and public participation, on-site inventory and environmental impacts assessment. Recommendations for future boat launches, marinas and moorage locations will be considered in 2009.



## LOOKING FORWARD TO 2009

- Complete review of the 2030 Official Community Plan
- Expand the transit system
- Expand affordable housing policies
- Update development permit guidelines
- Explore implementing the Leadership in Energy and Environmental Design (LEED) green building rating system for civic buildings
- Implement Comprehensive Development Zones for Central Green



Photo: Yvonne Turgeon

## STRONG INNOVATIVE LEADERSHIP

### CITY COUNCIL

Kelowna is governed by an elected City Council comprised of a mayor and eight councillors. Together they provide leadership and direction to the City Manager and City administration.

Elections are held every three years; the most recent of which was held on November 15, 2008. Re-elected were Mayor Sharon Shepherd, Andre Blanleil, Brian Given, Robert Hobson and Michele Rule and newly elected were Charlie Hodge, Graeme James, Angela Reid and Luke Stack.

Regular City Council meetings are held Mondays. City Council has a number of standing committees that meet regularly. Meetings are open to the public.

### Inter-Municipal Services Agreement

The four Mayors of the cities of Kelowna, Penticton, Vernon and West Kelowna signed an inter-municipal service agreement which will see the four communities work closer together and share common bylaws.

### City Council 2006 -2008

*Back: Colin Day, Andre Blanleil, Mayor Sharon Shepherd, Robert Hobson, Norm Letnick*

*Front: Brian Given, Michele Rule, Carol Gran, Barrie Clark*

### CITY MANAGER

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations to ensure that citizens have access to the essential services needed in a healthy, livable community.

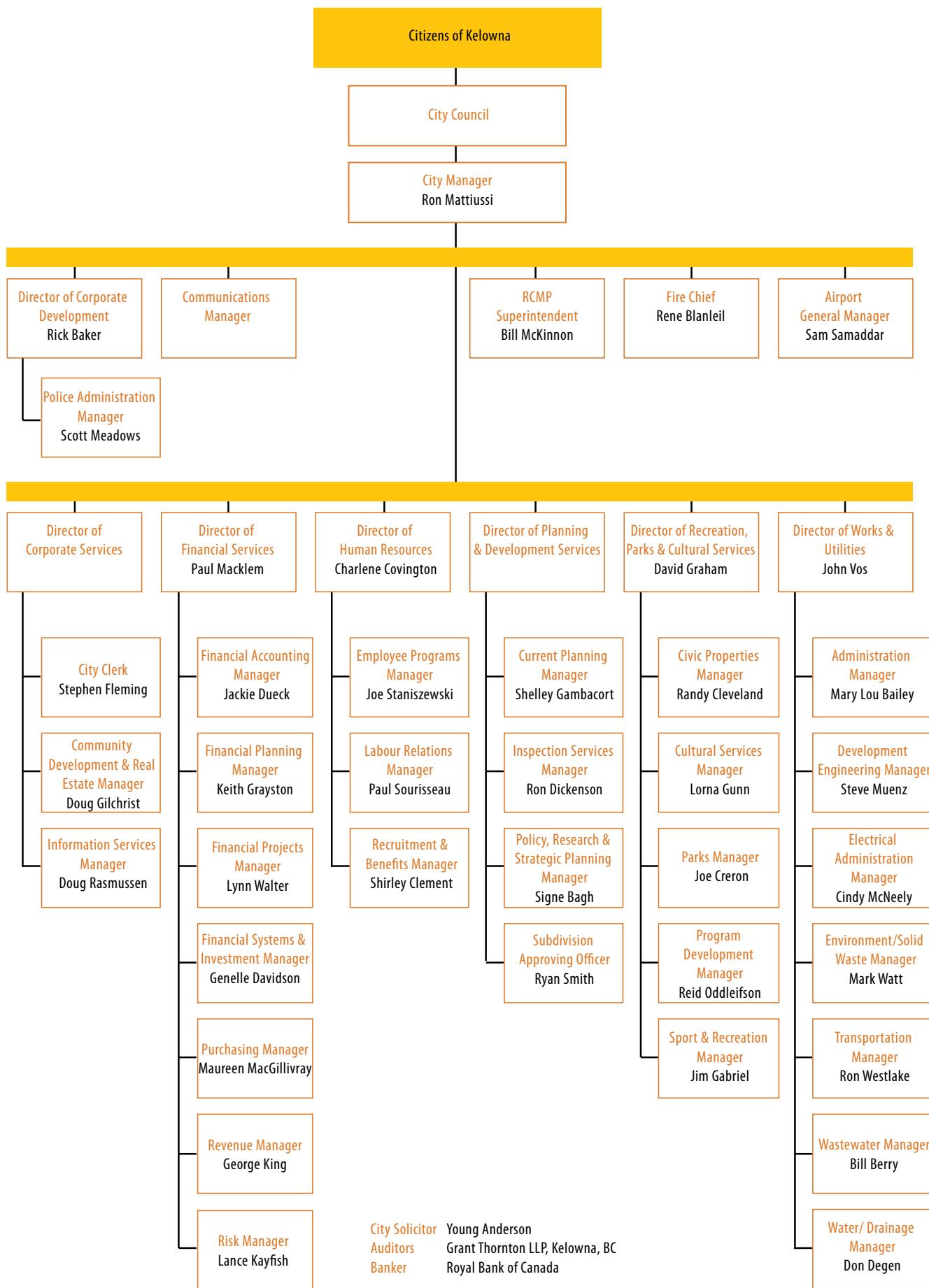
Ron Mattiussi has served in this position for two years, leading with long term vision and innovation. With a recent change to the organizational structure, under his leadership are now three divisions administered by three General Managers. Planning functions, including long term infrastructure, environmental, land use and social planning, were centralized in a new Community Sustainability division. The new structure positioned the City to respond better to the rising issues facing the community on the economic, environment, social and cultural fronts.

### Enhanced Information Systems

The City implemented a new integrated business management and information system to support in-depth and timely financial analysis. The system uses the latest technology to distribute vital business information to users throughout the organization.

Kelowna RCMP implemented the Police Records Information Management Environment (PRIME), joining a common information system among policing agencies across B.C. RCMP and independent police officers can share up-to-the-minute information in real time, advancing investigations and concluding cases more quickly. Thirteen independent policing agencies and 110 RCMP detachments are linked through PRIME.





### People First Initiatives

Striving to put people first in customer and staff relations, the City recognized the need for staff to balance work and other life commitments. Flexible work hours were expanded while customer service levels were maintained. Employees participating in wellness initiatives experienced improvements in work performance, physical and mental well being and work environments.

### Canadian Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Kelowna for its annual financial report for the fiscal year ended December 31, 2007. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

## Canadian Award for Financial Reporting

Presented to  
**City of Kelowna**  
**British Columbia**

For its Annual  
Financial Report  
for the Year Ended  
December 31, 2007

A Canadian Award for Financial Reporting is presented by the Government of Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.



*Tim L. Rutt*  
President  
*Jeffrey S. Easer*  
Executive Director

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA.



# SOUND FISCAL MANAGEMENT

## FINANCIAL SERVICES

The City committed to sound fiscal management and the delivery of services at the lowest long term cost to the taxpayer. In 2008, this commitment to excellence was once again recognized by the Government Finance Officers Association. The City was awarded for the seventh year the *Distinguished Budget Presentation Award* and for the sixth year the *Canadian Award for Financial Reporting*.

The majority of residents believe they receive good value for their municipal tax dollars. In the 2008 citizen survey, 28 per cent rated the value of City services from taxation as very good or excellent.

## Provision of Services & Support for Growth

The 2008 taxation increase averaged 5.7 per cent for all property classes. 2008 was a departure from the modest taxation increases of the last ten years due to increased service demands and municipal cost increases that are significantly different than the normal consumer price index. The utilization of tax revenue and development cost charges generated from new growth, assist in providing a

balanced approach to the expansion of services and infrastructure required to accommodate continuous growth within the municipality.

The City budgeted to collect a total of \$165 million in taxation revenues, 54 per cent of which was retained for municipal purposes. The remaining 46 per cent is levied by the provincial government to provide funding for schools, by the Regional District of Central Okanagan for shared services and by BC Assessment to cover the City's share of the costs associated with providing assessment information.

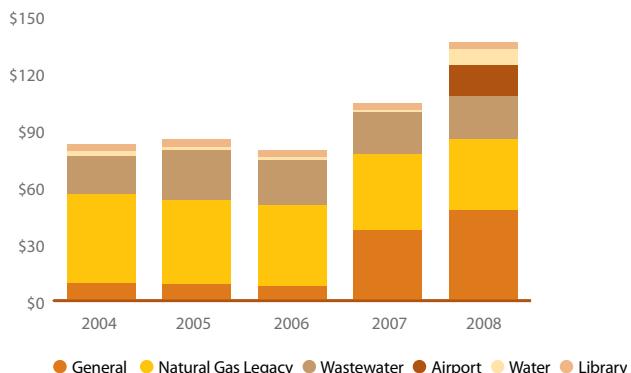
The City has historically relied on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. The decision to construct major community recreation facilities has necessitated a shift in this strategy for financing purposes to more appropriately assign associated debt repayment to those taxpayers who will benefit most over time. In 2008, 3.7 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. This is anticipated to exceed four cents

## Consolidated Reserves & Surplus millions



## Long Term Debt millions

Note: Long Term Debt does not include General Fund internal financing.

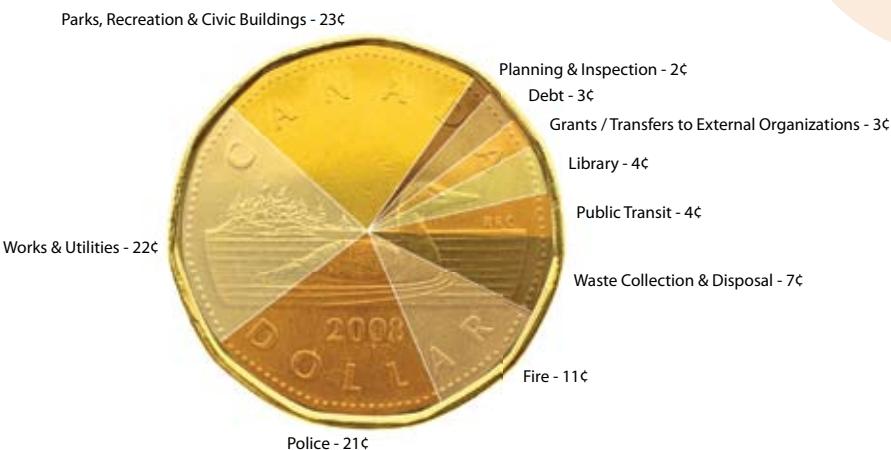


## LOOKING FORWARD TO 2009

- Update the 10-Year Capital Plan process including additional public input
- Update corporate financial strategies through Council consideration

## How your municipal dollar is spent

Breakdown of \$1 of Municipal Tax 2008

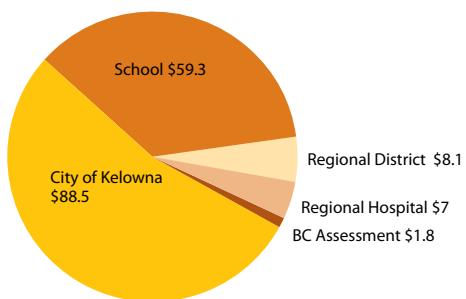


after completion of the aquatic facility in 2009. Pay-as-you-go capital project funding still represented more than 23 per cent of the 2008 taxation requirement.

### City Reserves

Maintenance of adequate levels of reserves and surplus continues to play a significant role in achieving a level of financial stability for Kelowna taxpayers and ratepayers. Reserves fall into two categories, the most significant of which is a capital reserve to ensure that existing City equipment and infrastructure can be maintained, and an operating reserve to ensure that unusual and unforeseen operating conditions can be met without the need for extraordinary tax increases.

### Tax Collected 2008 millions



## TOP 10 PRINCIPAL CORPORATE TAXPAYERS

	Legal Name	Type of Property
<b>2008</b>		
1	Orchard Park Shopping Centre Holdings Inc.	<i>Shopping Mall</i>
2	Grand Okanagan Resort Ltd.	<i>Hotel and Convention Centre</i>
3	Inland Natural Gas Co Ltd.	<i>Gas Utility</i>
4	McIntosh Properties Ltd.	<i>Shopping Mall</i>
5	FortisBC Inc.	<i>Electrical Utility</i>
6	Tolko Industries Ltd.	<i>Lumber Industry</i>
7	4231 Investments Ltd.	<i>Shopping Mall</i>
8	Dilworth Shopping Centre	<i>Shopping Mall</i>
9	Victor Projects Ltd.	<i>Developer</i>
10	AI Stober Construction Ltd.	<i>Developer</i>

### 2007

1	Orchard Park Shopping Centre Holdings Inc.	<i>Shopping Mall</i>
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10	Victor Projects Ltd.	<i>Developer</i>

## DEVELOPMENT COST CHARGES

**Development cost charges (DCCs)** are monies that are collected from land developers and builders by a municipality to offset some of the infrastructure expenditures to service the needs of growth-related development. Imposed by bylaw pursuant to the Local Government Act, the charges are intended to facilitate development by providing a method to finance capital projects related to roads, drainage, sewers, water and parkland.

The City's DCC program supports community development and integrates with longer-term plans. Infrastructure requirements are based on the Official Community Plan that estimates a resulting population of 153,220 by the end of 2020. The 20-Year Servicing Plan and Financing Strategy provides the infrastructure requirements to 2020 along with the cost sharing for various projects. Cost sharing methodologies reflect the level of benefit to existing taxpayers and new growth. Charges are based on the demand placed on services by different residential types, commercial, industrial and institutional growth.

The 2020 Plan has been reviewed annually for the last four years to ensure that any cost updates are reflected in the DCC rates. The total cost of the program, based on the 2008 update, is \$916 million. Approximately two thirds or \$589 million relates to the arterial roads program.

Local governments are permitted to temporarily lend available money from one DCC reserve fund to another. The money, along with appropriate interest, must be returned to the original reserve fund. For 2008, a deficit in Water Sector D reserve fund was covered from Water Sector A.

### Development Cost Charges Reserve Fund *thousands of dollars*

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance	Reductions/Waivers
Sewer Trunks	\$1,350	\$1,710	\$47	\$1,110	\$1,996	\$0
Sewer Treatment	11,127	3,353	360	6,498	8,342	0
Water	9,030	918	280	15	10,213	0
Roads	12,125	14,354	480	4,149	22,810	0
Parks	10,177	5,056	380	8,486	7,127	0
	<b>\$43,809</b>	<b>\$25,391</b>	<b>\$1,547</b>	<b>\$20,258</b>	<b>\$50,489</b>	<b>\$0</b>

### Municipal Assist Factor

The Local Government Act requires local governments to assist in the cost of new infrastructure. The municipal assist factor reflects the support of Council and the community's towards the financing costs of new infrastructure. The level of the assist, determined by City Council, reflects a benefit to the existing population while encouraging development and housing affordability.

### City of Kelowna Assist Factor

Roads 15% • Parks 8% • Water and Wastewater 1%

### Major Project Expenditures in 2008

**Parks:** \$8.5 million - Munson Pond, Lakeshore Road, Hobson Road and Aurora Crescent

**Roads:** Sector B: \$953,000 - Barnaby Road, Casorso Road and Gordon Drive

Sector I: \$2.9 million - Central Okanagan Bypass, Glenmore, High, Swamp Roads and Highway 33

**Sewer Treatment:** \$6.2 million - Wastewater Treatment Plant Expansion

**Sewer Trunks:** \$447,000 - Debt repayment  
\$558,000- Birch Lift Station

### Future Plans

For 2009, DCC expenditures include \$60 million for the Wastewater Treatment Plant expansion with \$40 million being borrowed on behalf of the Sewer Treatment DCC program. The Cedar Creek Pumpstation water project will require \$4.2 million from Water DCCs. The Roads program includes \$7.8 million for the Glenmore Bypass and \$4.5 million for Gordon Drive including the Mission Creek bridge replacement. The Parks program includes \$7.1 million for potential parkland acquisitions.

## PERMISSIVE TAX EXEMPTIONS

### **Art Gallery, Museum, Cultural Purpose**

Central Okanagan Heritage Society	\$5,544	Kelowna Italian Club	\$1,123
Centre culturel français de l'Okanagan	\$2,054	Kelowna Music Society	\$3,250
Kelowna Art Gallery	\$64,954	Kelowna Senior Citizens Society	\$1,822
Kelowna Centennial Museum	\$26,821	Kelowna Youth Outreach Care Society	\$3,194
Okanagan Military Museum	\$2,894	KGH - Rutland Auxiliary Thrift Shop	\$7,276
Rotary Centre for the Arts	\$70,882	Ki-Low-Na Friendship Society	\$9,531
		Lifestyle Equity Society	\$768
		MADAY Society for Seniors	\$2,866
		New Opportunities for Women	\$4,354

### **Athletic or Service Club**

Boy Scouts of Canada	\$7,655	Okanagan Families Society	\$5,401
Central Okanagan Heritage Society	\$3,415	Okanagan Independent Living Society	\$3,087
Central Okanagan Small Boat Association	\$21,324	Okanagan Halfway House Society	\$3,461
Central Okanagan Parks and Wildlife Trust	\$8,077	Okanagan Mental Health Services	\$2,643
East Kelowna Community Hall Association	\$1,356	Orchard City Abbeyfield Society	\$1,161
Ellison Parks & Recreation	\$1,244	Resurrection Recovery Resource Society	\$5,630
Kelowna Badminton Club	\$5,151	Royal Canadian Legion	\$3,797
Kelowna Curling Club	\$27,173	S.H.A.R.E. Society	\$6,771
Kelowna Fish & Game Club	\$7,849	S.P.C.A.	\$7,267
Kelowna Lawn Bowling Club	\$5,562	Society of Hope	\$19,900
Kelowna Major Mens' Fastball	\$12,737	The Kelowna Community Food Bank Society	\$8,475
Kelowna Yoga House Society	\$6,471	The Salvation Army Kelowna Community	
Nature Trust of BC	\$42,008	Resource Centre	\$6,209
Okanagan Gymnastic Centre	\$12,343		
Okanagan Mission Community Hall	\$3,829		
Rutland Minor Fastball	\$8,761		
Rutland Park Society	\$23,935		

### **Charitable or Philanthropic**

Building Health Families	\$1,269
Canadian Mental Health	\$2,088
Central Okanagan Child Development Ass.	\$16,004
Central Okanagan Emergency Shelter	\$1,663
Columbus Holding Society	\$4,873
Father DeLestre Columbus Society	\$3,348
German - Canadian Harmonie Club	\$6,006
Good Samaritan	\$25,957
Howard-Fry Housing Society	\$795
Kalano Club	\$3,325
Kelowna & District Society for Community Living	\$8,972
Kelowna Centre for Positive Living	\$1,167
Kelowna Child Care Society	\$2,434
Kelowna Community Resources & Crisis	\$2,974
Kelowna Drop-in & Info Centre	\$2,603
Kelowna Gospel Mission Society	\$10,726

### **Kelowna Italian Club**

\$1,123

### **Kelowna Music Society**

\$3,250

### **Kelowna Senior Citizens Society**

\$1,822

### **Kelowna Youth Outreach Care Society**

\$3,194

### **KGH - Rutland Auxiliary Thrift Shop**

\$7,276

### **Ki-Low-Na Friendship Society**

\$9,531

### **Lifestyle Equity Society**

\$768

### **MADAY Society for Seniors**

\$2,866

### **New Opportunities for Women**

\$4,354

### **Okanagan Families Society**

\$5,401

### **Okanagan Independent Living Society**

\$3,087

### **Okanagan Halfway House Society**

\$3,461

### **Okanagan Mental Health Services**

\$2,643

### **Orchard City Abbeyfield Society**

\$1,161

### **Resurrection Recovery Resource Society**

\$5,630

### **Royal Canadian Legion**

\$3,797

### **S.H.A.R.E. Society**

\$6,771

### **S.P.C.A.**

\$7,267

### **Society of Hope**

\$19,900

### **The Kelowna Community Food Bank Society**

\$8,475

### **The Salvation Army Kelowna Community**

### **Resource Centre**

\$6,209

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# FINANCIAL SERVICES DIRECTOR'S REPORT

May 2009

The Mayor and Council  
City of Kelowna

Your Worship and Members of Council,

I am pleased to submit the City of Kelowna's 2008 Annual Report for the year ended December 31, 2008, as required by Sections 98 and 167 of the Community Charter. The report includes the Auditor's report, the 2008 audited financial statements and supplementary information for the City of Kelowna.

The financial statements for the year ended December 31, 2008 were prepared by City staff in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Management is responsible for implementing and maintaining a system of internal controls to ensure that reliable financial statements and schedules are prepared and that these statements are consistent with other reporting requirements as part of the Financial Information Act. These statements were audited by Grant Thornton LLP and their responsibility was to express an opinion based on the results of the audit. The audit was planned and performed to obtain reasonable assurance as to whether the financial statements were free of material error or misstatement. The statements have been reviewed by the City's Audit Committee, whose responsibility is to ensure the financial statements are comprehensive, reliable and understandable.

The 2008 operating budget addressed increased levels of service required by the protective services area, transit expansion, increased insurance requirements, along with the operating and debt costs for the new H<sub>2</sub>O Adventure + Fitness Centre. The taxation capital program provided for significant transportation infrastructure and parkland acquisition and development in 2008. Overall, the City is in a strong financial position, as it continues to adapt to changing conditions in the economy and in the services and funding provided by senior levels of government.

To continue achieving positive financial results, especially during the current economic conditions, requires prudent fiscal management and long term strategic planning. The organizational restructuring and continual review of programs and services to identify efficiencies and opportunities will transition the City towards a more adaptive, responsive organization that continues to provide the services desired by Council and the community.

Respectfully submitted,



Keith Grayston, CGA  
*Director, Financial Services*





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## AUDITORS' REPORT

*To the Members of Council of the City of Kelowna*

We have audited the consolidated statement of financial position of the City of Kelowna as at December 31, 2008 and the consolidated statements of financial activities, changes in financial position, statutory reserve funds, reserves and surplus and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC

*Grant Thornton LLP*

May 4, 2009

*Chartered accountants*

**Partners**

Kevin Crookes, CA, CBV

Paul F. Gallo, CA

Mike Gilmore, CA, CFP

James R. Grant, CA

Bill McTavish, CGA, CA

Anne Postlewaite, CA

Dan Vass, CA

J. Kim Ward, CA, CFP

Bill Winters, CA, CFP

**Audit • Tax • Advisory**

Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

# AUDITED STATEMENTS

## Consolidated Statement of Financial Position

As at December 31, 2008 (*in thousands of dollars*)

	2008	2007
<b>Financial Assets</b>		
Cash and temporary investments	<b>\$ 209,259</b>	\$ 194,423
Accounts receivable	<b>30,962</b>	26,951
Accrued interest	<b>513</b>	1,208
Land held for resale	<b>1,034</b>	817
Long term investments	<b>6,000</b>	6,000
Municipal Finance Authority debt reserve deposit	<b>8,451</b>	6,289
Other	<b>2,180</b>	2,106
	<b>\$ 258,399</b>	\$ 237,794
<b>Liabilities</b>		
Accounts payable	<b>34,364</b>	42,242
Performance deposits	<b>5,019</b>	5,500
Deferred revenue	<b>31,183</b>	25,024
Deferred development cost charges	<b>50,489</b>	43,809
Municipal Finance Authority debt reserve	<b>8,451</b>	6,289
Long term debt	<b>135,537</b>	103,580
	<b>\$ 265,043</b>	\$ 226,444
<b>Net Financial Assets (Liabilities)</b>	<b>\$ (6,644)</b>	\$ 11,350
<b>Non Financial Assets</b>		
Inventory	<b>1,312</b>	1,454
Work in progress	<b>148,710</b>	133,960
Capital	<b>1,051,901</b>	957,960
	<b>\$ 1,201,923</b>	\$ 1,093,374
<b>Net Financial Position</b>	<b>\$ 1,195,279</b>	\$ 1,104,724
<b>Fund Position</b>		
Operating surplus	<b>21,509</b>	11,207
Reserves for future expenditures	<b>75,572</b>	69,800
Statutory reserve funds	<b>30,673</b>	31,786
Fund Balance	<b>\$ 127,754</b>	\$ 112,793
Equity in capital assets	<b>\$1,067,525</b>	\$ 991,931
	<b>\$ 1,195,279</b>	\$ 1,104,724

See accompanying notes to the financial statements.

Keith Grayston, CGA  
Director, Financial Services

Sharon Shepherd  
Mayor, City of Kelowna

## **Consolidated Statement of Financial Activities**

For the Year Ended December 31, 2008 (*in thousands of dollars*)

	<b>Budget 2008</b>	<b>Actual 2008</b>	<b>Actual 2007</b>
<b>Revenue</b>			
Taxation	\$ 94,160	<b>\$ 94,835</b>	\$ 86,504
Fees and Charges	103,334	<b>114,628</b>	104,532
Interest earned	5,125	<b>7,152</b>	6,099
DCC contributions	41,023	<b>19,417</b>	22,259
Contribution from other governments	32,382	<b>23,751</b>	23,488
Other Capital Contributions	-	<b>42</b>	2,921
	<b>\$ 276,024</b>	<b>\$ 259,825</b>	\$ 245,803
<b>Expenditures</b>			
General government services	20,871	<b>16,563</b>	14,330
Protective services	37,799	<b>38,177</b>	35,173
Transportation services	69,973	<b>52,061</b>	75,561
Recreational and cultural services	89,253	<b>73,626</b>	47,500
Other services	19,733	<b>17,978</b>	17,269
Airport operations	24,758	<b>23,370</b>	14,988
Electrical utility	26,487	<b>21,116</b>	25,181
Wastewater utility	80,114	<b>18,020</b>	19,937
Water utility	19,048	<b>11,644</b>	6,509
Debt charges	14,505	<b>7,559</b>	6,133
	<b>\$ 402,541</b>	<b>\$ 280,114</b>	\$ 262,581
<b>Net expenditure</b>	<b>\$ (126,517)</b>	<b>\$ (20,289)</b>	\$ (16,778)
Debt issuance	80,830	<b>40,392</b>	29,867
Debt repayment	(4,971)	<b>(5,029)</b>	(3,922)
Transfer (to) from other funds	-	<b>(113)</b>	507
<b>Increase (decrease) in fund balance</b>	<b>\$ (50,658)</b>	<b>\$ 14,961</b>	\$ 9,674
Consolidated fund balance, beginning of year		<b>112,793</b>	103,119
<b>Consolidated fund balance, end of year</b>		<b>\$ 127,754</b>	\$ 112,793

*See accompanying notes to the financial statements.*

## Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 2008 (*in thousands of dollars*)

	Actual 2008	Actual 2007
<b>Net cash inflow (outflow) from operating activities</b>		
Net Expenditure	\$ (20,289)	\$ (16,778)
Items not affecting cash - transfers between funds	59,287	70,452
	<b>\$ 38,998</b>	<b>\$ 53,674</b>
Decrease (increase) in non-cash financial assets		
Accounts receivable	(3,316)	(3,957)
Other assets	(2,453)	(1,807)
Increase (decrease) in short term financial liabilities		
Accounts payable	(7,878)	11,964
Deferred development cost charges	6,680	2,050
Other liabilities	7,840	(466)
	<b>\$ 39,871</b>	<b>\$ 61,458</b>
<b>Financing</b>		
Issuance of long term debt	40,392	29,867
Contributions and Grants	12,326	12,042
Repayment of long term debt	(5,029)	(3,922)
	<b>\$ 47,689</b>	<b>\$ 37,987</b>
<b>Investing</b>		
Proceeds on sale of capital assets	42	122
Purchase of capital assets	(72,908)	(82,066)
Decrease (increase) in inventory	142	(453)
	<b>\$ (72,724)</b>	<b>\$ (82,397)</b>
<b>Net cash inflow (outflow)</b>	<b>\$ 14,836</b>	<b>\$ 17,048</b>
Cash position, beginning of year	194,423	177,375
<b>Cash position, end of year</b>	<b>\$ 209,259</b>	<b>\$ 194,423</b>
Cash and temporary investments	\$ 209,259	\$ 194,423

*See accompanying notes to the financial statements.*

## **Consolidated Statement of Statutory Reserve Funds**

For the Year Ended December 31, 2008 (*in thousands of dollars*)

	<b>Capital Works</b>			<b>Total Actual 2008</b>	<b>Total Actual 2007</b>
	<b>Machinery &amp; Equipment 2008</b>	<b>Land Sales Reserve 2008</b>	<b>Parking 2008</b>		
<b>Sources of Funds</b>					
Return on investment	\$ 905	\$ 210	\$ 38	<b>\$ 1,153</b>	\$ 1,240
Contributions from developers	278	-	-	<b>278</b>	676
Proceeds from land sales	-	3,782	-	<b>3,782</b>	2,347
Transfers from General Fund	5,051	736	670	<b>6,457</b>	5,682
Transfers from Wastewater Fund	288	-	-	<b>288</b>	25
Transfers from Water Fund	275	-	-	<b>275</b>	76
	<b>\$ 6,797</b>	<b>\$ 4,728</b>	<b>\$ 708</b>	<b>\$ 12,233</b>	\$ 10,046
<b>Uses of Funds</b>					
Transfers to General Fund	7,311	2,499	1,136	<b>10,946</b>	9,036
Transfers to Wastewater Fund	2,400	-	-	<b>2,400</b>	45
Transfers to Water Fund	-	-	-	-	72
	<b>\$ 9,711</b>	<b>\$ 2,499</b>	<b>\$ 1,136</b>	<b>\$ 13,346</b>	\$ 9,153
<b>Change in reserve fund balance</b>	<b>\$ (2,914)</b>	<b>\$ 2,229</b>	<b>\$ (428)</b>	<b>\$ (1,113)</b>	\$ 893
Balance, beginning of year	25,358	5,336	1,092	<b>31,786</b>	30,893
<b>Balance, end of year</b>	<b>\$ 22,444</b>	<b>\$ 7,565</b>	<b>\$ 664</b>	<b>\$ 30,673</b>	\$ 31,786

*See accompanying notes to the financial statements.*

## Consolidated Statement of Reserves and Surplus

For the Year Ended December 31, 2008 (*in thousands of dollars*)

	Actual 2008	Actual 2007
<b>Reserves for future expenditures</b>	<b>\$ 75,572</b>	\$ 69,800
<b>Surplus</b>		
Balance, beginning of year	11,207	9,081
Add:		
Transfer from reserve for future expenditures	25,411	29,085
Increase (decrease) in fund balances	16,073	8,781
Deduct:		
Transfer to reserve for future expenditures	31,182	35,740
Balance, end of year	\$ 21,509	\$ 11,207
<b>Fund balance, end of year</b>	<b>\$ 97,081</b>	\$ 81,007

## Consolidated Statement of Equity in Capital Assets

For the Year Ended December 31, 2008 (*in thousands of dollars*)

	Actual 2008	Actual 2007
Balance, beginning of year	\$ 991,931	\$ 906,982
<b>Contributions to capital assets</b>		
Operating funds	27,992	35,537
Other trust funds	369	3,758
Statutory reserve funds	12,762	8,554
Public	44	177
Federal government	2,923	923
Provincial government	1,418	8,039
Development cost charge contribution	19,417	22,053
Developers	7,941	2,903
Proceeds on sale of capital assets	42	122
	\$ 72,908	\$ 82,066
<b>Debt retirement</b>		
Retirement of debt	5,029	3,922
Actuarial increase in sinking funds	2,046	1,646
	\$ 7,075	\$ 5,568
Asset disposal at original cost	(4,389)	(2,685)
<b>Balance, end of year</b>	<b>\$ 1,067,525</b>	\$ 991,931
<b>Capital asset additions</b>		
Contributions to capital assets	\$ 72,908	\$ 82,066
Debt Issuance	40,392	29,867
Total capital assets acquired	\$ 113,300	\$ 111,933
Assets disposal at original cost	(4,389)	(2,685)
<b>Increase in capital assets</b>	<b>\$ 108,911</b>	\$ 109,248

*See accompanying notes to the financial statements.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

The notes to the consolidated financial statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the consolidated financial statements.

## 1. Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The following is a summary of the City's significant accounting policies:

### Basis of presentation

The City of Kelowna's resources and operations are segregated into General, Airport, Electrical Utility, Wastewater Utility, Water Utility, Natural Gas Legacy and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material interfund transactions and balances have been eliminated within the consolidated financial statements.

The City of Kelowna Library Society and Festivals Kelowna are controlled by the City of Kelowna through its appointment of the members of the respective societies. Accordingly, the consolidated financial statements include all the accounts of the societies.

### Accrual accounting

The accrual method for reporting revenues and expenditures has been used.

### Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

### Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

### Capital assets

The City records physical assets including assets held under capital lease at cost in the period they were acquired on the statement of financial position and as expenditures within the statement of financial activities.

Capital assets purchased or constructed and work in progress are reported as capital expenditures and are classified according to their functional use. Capital assets donated are reported at their fair value at the time of the donation.

All capital assets are valued at cost and written off when they are disposed of.

During the period 1974 to 1995, all Airport capital additions were the responsibility of the Federal Government Ministry of Transport and therefore are not reflected in these financial statements. In 1996, the City commenced financing some of the capital additions. Those additions funded by the City are reflected in these consolidated financial statements and valued at cost.

### Amortization

In accordance with the accounting principles accepted for local governments in British Columbia for 2008, no provision has been made for amortization.

### **Municipal Finance Authority cash deposits and demand notes**

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

### **Reserves for future expenditures**

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures include funds to finance incomplete projects and accumulations for specific purposes.

### **Statutory reserve funds**

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100 per cent by cash and temporary investments.

### **Financial instruments**

The City's financial instruments consist of cash and temporary investments, accounts receivable, accrued interest, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

### **Revenue recognition**

#### **Taxation revenue**

Annual levies for non-optimal municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the British Columbia Assessments appeal process taxes may be adjusted by way of supplementary roll adjustments. The affects of these adjustments on taxes are recognized at the time they are awarded.

### **Fees and charges revenue**

Charges for transportation, environmental health, building permits, electrical, water, wastewater, natural gas and airport are included in this category. These revenues are recorded on the accrual basis and recognized when earned.

### **Government transfers**

Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met by the City, and a reasonable estimate of the amount can be made.

### **Investment income**

The City's investments are disclosed in note 2.

Investment income is recorded on the accrual basis and recognized when earned.

A portion of the City's investments are invested in pooled funds of the Municipal Finance Authority of British Columbia. Earnings of these funds are allocated to the members from time to time based on the market value of the pool. The City recognizes only its share of the realized earnings of the pool. This revenue is recorded as investment income and the amount is added to the cost of the units held.

To the extent that investments have no stated rate of return, investment income is recognized as it is received.

### **Proceeds from disposal of property and equipment**

Proceeds from the sale of tangible property and equipment are recognized as revenue at the time of sale.

### **Expenditures**

Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

### **Use of estimates**

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements.

Significant areas requiring the use of management estimates relate to the determination of landfill post closure costs and settlement costs associated with outstanding legal actions. Actual results could differ

from the estimates and adjustments, if any, will be reflected in the operations in the year of settlement.

### Budget figures

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

The budget reflects operating and capital financial activities. The majority of the significant variances relate to significant capital projects budgeted for but not completed in the year.

## 2. Financial Assets and Liabilities

### Cash and temporary investments

Temporary investments are recorded at cost. Cash and temporary investments are comprised of the following:

#### Type of Investments *thousands of dollars*

	2008	2007
Cash	<b>\$47,406</b>	\$25,988
Municipal Finance Authority Bond / Money Market Funds	55,553	-
Provincial and Bank Issued Accrual Notes and Debentures	104,302	166,437
Guaranteed Investment Certificates and Term Deposit Notes	1,998	1,998
<b>Total Cash and temporary investments</b>	<b>\$209,259</b>	<b>\$194,423</b>

### Accounts Receivable

Accounts receivable are recorded net of allowance and are comprised of the following:

#### Type of Receivables *thousands of dollars*

	2008	2007
Property Tax	\$3,856	\$3,163
Trade Receivables	8,350	9,473
Due from Federal Government	1,985	1,544
Due from Provincial Government	2,247	2,056
Due from Regional Government	462	91
Utilities	4,911	4,736
Deferred Development Cost Charges	9,151	5,888
<b>Total Accounts Receivable</b>	<b>\$30,962</b>	<b>\$26,951</b>

### Operating line of credit

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5 million, bearing interest at bank prime rate. At December 31, 2008 the balance was \$nil (2007 - \$nil).

### Deferred Development Cost Charges (DCC)

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

#### Deferred DCC by Type *thousands of dollars*

	2008	2007
Roads	<b>\$19,630</b>	\$ 9,057
Parks	7,127	10,177
Drainage	3,181	3,068
Wastewater	10,338	12,477
Water	10,213	9,030
<b>Total Deferred DCC</b>	<b>\$50,489</b>	<b>\$43,809</b>

#### Deferred DCC *thousands of dollars*

	2008	2007
<b>Balance, beginning of year</b>	<b>\$43,809</b>	<b>\$41,759</b>
Return on Investments	1,547	1,720
DCC collected in the year	25,391	23,168
	<b>26,938</b>	<b>24,888</b>

Transfers to General Capital	(12,574)	(16,459)
Transfers to General Operating	(60)	-
Transfers to Wastewater Capital	(6,828)	(5,358)
Transfers to Wastewater Operating	(781)	(785)
Transfers to Water Capital	(15)	(236)
	<b>(20,258)</b>	<b>(22,838)</b>

<b>Balance, end of year</b>	<b>\$50,489</b>	<b>\$43,809</b>
-----------------------------	-----------------	-----------------

### Debenture debt

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.15% to 10.25%. The weighted average rate for 2008 was 5.26% (2007 – 5.12%). Principal repayments for the next five years are as follows:

**Principal Repayments** *thousands of dollars*

	2009	2010	2011	2012	2013
General Fund	\$2,199	\$2,199	\$2,199	\$2,128	\$2,128
Wastewater Fund	1,534	1,367	1,334	1,090	1,090
Water Fund	422	414	388	288	266
Nat. Gas Legacy	1,699	1,699	1,699	1,699	1,699
Airport	1,333	1,333	1,333	1,333	1,333
Library Society	272	297	324	354	386
	<b>\$7,459</b>	<b>\$7,309</b>	<b>\$7,277</b>	<b>\$6,892</b>	<b>\$6,902</b>

**Debt as a percentage of total expenditures:**

2008	2007	2006	2005
48.39%	39.40%	31.73%	41.73%

**Short Term Debt**

Total short term debt of \$1.4 million (\$1.6 million – 2007) with the Royal Bank of Canada is to be repaid over the next five years. The amount of the principal repayment is \$315,500 per year. Interest is to be paid annually at bank prime rate on the outstanding balance.

**3. Capital Assets and Work in Progress**

*thousands of dollars*

	2008 Work in Progress	2008 Capital Assets	2007 Work in Progress	2007 Capital Assets
Land	\$ -	\$159,225	\$ -	\$147,959
Buildings	70,885	102,248	38,718	99,250
Engineering Structures	73,837	668,074	93,022	591,737
Machinery & Equipment	3,988	66,745	2,220	63,405
Natural Gas System (capital lease)	-	55,609	-	55,609
	<b>\$148,710</b>	<b>\$1,051,901</b>	<b>\$133,960</b>	<b>\$957,960</b>

**Transitional Provisions**

Effective January 1, 2007, The City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) with respect to the disclosure of tangible capital assets of local

governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the City has not yet completed a listing of individual capital assets and values for the asset classes. The accumulation of data is currently underway and is expected to be completed for presentation on the 2009 statements.

**4. Contingent Liabilities****Regional District of the Central Okanagan**

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the District and each member municipality within the District including the City of Kelowna.

The loan agreements with the Regional District of the Central Okanagan and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes a liability of the member municipalities.

**Pension liability**

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation

will be as at December 31, 2009 with results available in mid 2010. The actuary does not attribute portions of the surplus to individual employers. The City of Kelowna paid \$3.8 million for employer contributions to the plan in fiscal 2008. Employee contributions were \$3.1 million.

#### **Post employment benefits**

The City of Kelowna does not accrue expenses for post employment benefits such as retirement allowances or compensated absences (sick leave). City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The City recognizes the expense for sick time when the event obligates the City to pay.

#### **Legal actions**

The City of Kelowna is currently engaged in certain legal actions, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions.

The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized. The City of Kelowna has insurance policies and financial reserves to offset associated risks.

### **5. Commitments**

#### **Agreements, contracts and purchase orders**

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

The City has purchase orders open as at December 31, 2008 which have not been recorded in the accounts. Due to an update to the Peoplesoft system in prior years, the balance of these open purchase orders are not determinable at this time. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the accounts in the period the goods and services, to which they relate, are received.

#### **Landfill closure and post closure costs**

As recommended by PSAB and regulated by the Ministry of Water, Land and Air Protection, the City has agreed to obligations regarding the operation of the

landfill site. These obligations include recognition of closure and post-closure liability. The City's estimated liability for these expenditures is recognized as the landfill site's capacity is used. The reported liability of \$3.3 million (2007 – \$2.8 million) represents the portion of the estimated total expenditure recognized as at December 31, 2008. The liability and annual expenditure is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 6.9 million tonnes, which is 88 per cent of the site's total capacity. The discounted future cash flows for closure and post-closure cost is estimated at \$53.0 million as at December 31, 2008. The landfill site is expected to reach its capacity in 2048.

#### **Kelowna Family Y Centre loan guarantee agreement**

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guaranteed repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20 year loan. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA-YWCA of Central Okanagan. As at December 31, 2008 the outstanding loan balance was \$361,250.

#### **Multi-Purpose Facility Public/Private Partnership**

The City has, under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd., purchased \$6.0 million of preferred shares in RG Arenas (Kelowna) Ltd. at a cost of \$1 per share. The terms and conditions of the purchase are subject to the terms of a Tripartite Agreement between the City of Kelowna, Royal Bank of Canada and RG Arenas (Kelowna) Ltd., RG Properties Ltd., Prospero Canadian Land Investment Fund Ltd. group of companies.

The City has, under the terms of the above noted Tripartite Agreement, committed to the annual purchase of community use time at the Multi-Purpose

facility, commencing with Substantial Completion, on November 10, 1999 under the following terms:

- I \$1.3 million per annum for Years 1 to 3 comprised of a payment of \$1.1 million, which for Years 2 and 3 is subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, plus an annual payment of \$150,000 without any adjustment for CPI;
- II \$1.2 million per annum for Years 4 to 7, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum;
- III \$1.2 million per annum for Years 8 to 10, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, minus \$150,000 per annum;
- IV \$1.0 million per annum for Years 11 to 20, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum; and
- V \$0.5 million per annum for Years 21 to 30, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum.

The year 2008 represented year 9 of the agreement.

Should the City not exercise, in its sole discretion, its option to renew any future term for community use time in the Multi-Purpose facility, under the above terms it shall be required to make a lump sum payment to RG Arenas (Kelowna) Ltd. on or before the 15th day of one of year 6, 11, 16, 21 or 26 commencing with the year of Substantial Completion in the following amounts:

Year 6	\$13.2 million
Year 11	\$11.9 million
Year 16	\$10.4 million
Year 21	\$6.7 million
Year 26	\$4.5 million

Upon such payment, no further amounts will be payable to RG Arenas (Kelowna) Ltd. and the City will have the right to the community use time for the period from the beginning of the year in which the

payment was made until November 9, 2029 without any additional payment.

The City did exercise its option to renew the purchase of community use time under the above annual payments terms and accordingly did not make the lump sum payment of \$13.2 million otherwise due to RG Arenas (Kelowna) Ltd. in year 6.

#### **Mission Recreation Park Sports Centre**

The City has under the terms of the design build contract with RG Construction (Mission) Ltd. agreed to pay \$16.6 million for the construction of a sports facility. As at December 31, 2008 there was an outstanding commitment of \$185,200. This will become due as the project is completed.

#### **H<sub>2</sub>O Fitness + Adventure Centre**

The City has under the terms of the pre-load and design build contract with PCL Constructors Westcoast Inc. agreed to pay \$42.6 million for the construction of an aquatic facility. As at December 31, 2008 there was an outstanding commitment of \$5.3 million. This will become due as the project is completed which is estimated to be in early 2009.

### **6. Investments**

#### **Kelowna Developments Ltd.**

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2. The company is inactive with no assets or liabilities and is being retained for potential future use.

#### **RG Arenas (Kelowna) Ltd.**

The investment in preferred shares in RG Arenas (Kelowna) Ltd. is carried at its cost of \$6.0 million. The shares were purchased under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd. and are to be retained until 2028 per the terms of that agreement described in note 5.

### **7. Letters of Credit**

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$48.3 million (2007 - \$46.0 million) which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in

the financial statements but are available to satisfy any liabilities arising from non-performance by the depositors. Included in the \$48.3 million, the City is holding irrevocable Letters of Credit in the amount of \$9.2 million (2007 - \$5.7 million) which are received from developers to ensure payment of development cost charges in future years.

### **8. Capital Lease Payable**

The City has entered into an agreement with Terasen Gas Inc. that has resulted in the creation of the Natural Gas Legacy Fund.

#### **Capital lease**

Under the terms of the agreement the City entered into a 35 year capital lease with Terasen Gas Inc. on November 1, 2001 for the natural gas distribution system within the City's municipal boundary. The City has prepaid \$47.5 million of the capital lease obligation and has financed the prepayment through debenture debt. The remaining obligation of \$2.5 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Terasen approved pre-tax weighted average cost of capital of 10.072%.

#### **Operating lease**

The City also entered into a 17 year operating lease with Terasen Gas Inc. on November 1, 2001 whereby the City leases back to Terasen Gas Inc. the operations of the gas distribution system. Under the operating lease Terasen Gas Inc. is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17 year term Terasen Gas Inc. has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47.5 million prepayment under the capital lease, which is estimated to be \$24.4 million, or negotiate a new 18 year operating lease with a continuation of the annual lease payments which existed under the previous 17 year operating lease.

#### **Annual Lease revenues for the past five years are:**

2004	\$5.8 million
2005	\$4.9 million
2006	\$5.4 million
2007	\$5.2 million
2008	\$5.1 million

### **9. City of Kelowna Library Society**

In March 1997, the City transferred the Library building and land located on Ellis Street in the City of Kelowna and the related mortgage loan to the City of Kelowna Library Society, a non-profit society. The City has guaranteed the repayment of the mortgage. As at December 31, 2008 the mortgage balance was \$3.2 million. The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in with the City of Kelowna consolidated financial statements.

### **10. Trust Funds**

In accordance with PSAB recommendations for local governments, trust funds are not included in the City's consolidated Financial statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2008 the Trust Fund balance is \$1.7 million (2007 - \$1.5 million).

### **11. Capital Management**

The City's objectives when managing capital are:

1. To safeguard the City's ability to operate as a going concern; and
2. To maintain a flexible capital structure.

The City's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs.

### **12. Prior Year's Figures**

Certain of the prior year's figures have been restated to conform to the presentation format adopted in the current year.



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## AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

*To the Members of Council of the City of Kelowna*

We have audited and reported separately herein on the consolidated financial statements of the City of Kelowna as at and for the year ended December 31, 2008.

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the City taken as a whole. The supplementary information on the financial position, financial activities of operations of the individual funds and the schedule of receipts and disbursements of Federal Gas Tax for the year ended December 31, 2008 included in the following supporting schedules are presented for the purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Kelowna, BC

*Grant Thornton LLP*

May 4, 2009

*Chartered accountants*

### Partners

Kevin Crookes, CA, CBV  
 Paul F. Gallo, CA  
 Mike Gilmore, CA, CFP  
 James R. Grant, CA  
 Bill McTavish, CGA, CA  
 Anne Postlewaite, CA  
 Dan Vass, CA  
 J. Kim Ward, CA, CFP  
 Bill Winters, CA, CFP

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## SUPPLEMENTARY STATEMENTS

### Statement of Financial Position - by Fund

As at December 31, 2008 (in thousands of dollars)

	General Fund 2008	Airport Fund 2008	Electrical Fund 2008	Wastewater Fund 2008	Water Fund 2008	Statutory Reserves 2008	Natural Gas Legacy Fund 2008	Festivals Kelowna 2008	Library Society 2008	Consolidated 2008	Consolidated 2007
<b>Financial Assets</b>											
Cash and temporary investments	\$ 82,647	\$ 16,953	\$ 6,010	\$ 23,323	\$ 4,924	\$ 72,010	\$ 3,170	\$ 45	\$ 177	\$ 209,259	\$194,423
Accounts receivable	13,133	2,422	2,729	2,026	613	9,152	839	6	42	30,962	26,951
Accrued interest	513	-	-	-	-	-	-	-	-	513	1,208
Land held for resale	1,034	-	-	-	-	-	-	-	-	1,034	817
Long term investments	6,000	-	-	-	-	-	-	-	-	6,000	6,000
Municipal Finance Authority debt reserve deposit	2,565	1,043	-	2,140	559	-	2,144	-	-	8,451	6,289
Other	2,026	115	-	18	16	-	-	5	-	2,180	2,106
	<b>\$ 107,918</b>	<b>\$ 20,533</b>	<b>\$ 8,739</b>	<b>\$ 27,507</b>	<b>\$ 6,112</b>	<b>\$ 81,162</b>	<b>\$ 6,153</b>	<b>\$ 56</b>	<b>\$ 219</b>	<b>\$ 258,399</b>	<b>\$ 237,794</b>
<b>Liabilities</b>											
Accounts payable	28,025	1,411	2,686	1,142	610	-	427	10	53	34,364	42,242
Performance deposits	4,805	214	-	-	-	-	-	-	-	5,019	5,500
Deferred revenue	26,929	13	-	4,179	52	-	-	10	-	31,183	25,024
Deferred development cost charges	-	-	-	-	-	50,489	-	-	-	50,489	43,809
Municipal Finance Authority debt reserve											
Cash deposits	612	165	-	609	143	-	665	-	-	2,194	1,795
Demand notes	1,950	878	-	1,534	416	-	1,479	-	-	6,257	4,494
Long term debt	47,769	16,000	-	22,535	8,725	-	37,313	-	3,195	135,537	103,580
	<b>\$ 110,090</b>	<b>\$ 18,681</b>	<b>\$ 2,686</b>	<b>\$ 29,999</b>	<b>\$ 9,946</b>	<b>\$ 50,489</b>	<b>\$ 39,884</b>	<b>\$ 20</b>	<b>\$ 3,248</b>	<b>\$ 265,043</b>	<b>\$ 226,444</b>
<b>Net Financial Assets (Liabilities)</b>	<b>\$ (2,172)</b>	<b>\$ 1,852</b>	<b>\$ 6,053</b>	<b>\$ (2,492)</b>	<b>\$ (3,834)</b>	<b>\$ 30,673</b>	<b>\$ (33,731)</b>	<b>\$ 36</b>	<b>\$ (3,029)</b>	<b>\$ (6,644)</b>	<b>\$ 11,350</b>
<b>Non Financial Assets</b>											
Inventory	873	-	263	105	71	-	-	-	-	1,312	1,454
Work in progress	94,422	19,934	694	26,407	7,253	-	-	-	-	148,710	133,960
Capital	645,243	50,128	44,849	183,196	64,869	-	55,609	-	8,007	1,051,901	957,960
	<b>\$ 740,538</b>	<b>\$ 70,062</b>	<b>\$ 45,806</b>	<b>\$ 209,708</b>	<b>\$ 72,193</b>	<b>-</b>	<b>\$ 55,609</b>	<b>-</b>	<b>\$ 8,007</b>	<b>\$1,201,923</b>	<b>\$1,093,374</b>
<b>Net Financial Position</b>	<b>\$ 738,366</b>	<b>\$ 71,914</b>	<b>\$ 51,859</b>	<b>\$ 207,216</b>	<b>\$ 68,359</b>	<b>\$ 30,673</b>	<b>\$ 21,878</b>	<b>\$ 36</b>	<b>\$ 4,978</b>	<b>\$1,195,279</b>	<b>\$1,104,724</b>
<b>Fund Position</b>											
Operating surplus (deficit)	10,894	161	1,084	3,593	1,992	-	3,582	36	166	21,509	11,207
Reserves for future expenditures	35,702	17,691	5,231	13,934	3,015	-	-	-	-	75,572	69,800
Statutory reserve funds	-	-	-	-	-	30,673	-	-	-	30,673	31,786
Fund balance	<b>\$ 46,596</b>	<b>\$ 17,852</b>	<b>\$ 6,315</b>	<b>\$ 17,527</b>	<b>\$ 5,007</b>	<b>\$ 30,673</b>	<b>\$ 3,582</b>	<b>36</b>	<b>\$ 166</b>	<b>\$127,754</b>	<b>\$ 112,793</b>
Equity in capital assets	691,770	54,062	45,544	189,689	63,352	-	18,296	-	4,812	1,067,525	991,931
	<b>\$ 738,366</b>	<b>\$ 71,914</b>	<b>\$ 51,859</b>	<b>\$ 207,216</b>	<b>\$ 68,359</b>	<b>\$ 30,673</b>	<b>\$ 21,878</b>	<b>\$ 36</b>	<b>\$ 4,978</b>	<b>\$1,195,279</b>	<b>\$1,104,724</b>

## Statement of Financial Activities - by Fund

For the Year Ended December 31, 2008 (in thousands of dollars)

	General Fund 2008	Airport Fund 2008	Electrical Fund 2008	Wastewater Fund 2008	Water Fund 2008	Statutory Reserves 2008	Natural Gas Legacy Fund 2008	Festivals Kelowna 2008	Library Society 2008	Consolidated 2008	Consolidated 2007
<b>Revenue</b>											
Taxation	\$ 91,236	\$ -	\$ -	\$ 1,864	\$ 1,269	\$ -	\$ -	\$ 466	\$ -	\$ 94,835	\$ 86,504
Fees and charges	43,301	16,309	24,034	18,259	6,155	278	5,277	265	751	114,628	104,532
Interest earned	4,833	450	283	306	127	1,153	-	-	-	7,152	6,099
Statutory reserve contribution to capital	10,362	-	-	2,400	-	(12,762)	-	-	-	-	-
DCC contributions	12,574	-	-	6,828	15	-	-	-	-	19,417	22,259
Contributions from other governments	16,512	2,926	-	530	-	3,782	-	-	-	23,751	23,488
Other capital contributions	42	-	-	-	-	-	-	-	-	42	2,921
	<b>\$178,860</b>	<b>\$ 19,685</b>	<b>\$ 24,317</b>	<b>\$ 30,186</b>	<b>\$ 7,567</b>	<b>\$ (7,549)</b>	<b>\$ 5,277</b>	<b>\$ 731</b>	<b>\$ 751</b>	<b>\$259,825</b>	<b>\$245,803</b>
<b>Expenditures</b>											
General government services	16,563	-	-	-	-	-	-	-	-	16,563	14,330
Protective services	38,177	-	-	-	-	-	-	-	-	38,177	35,173
Transportation services	52,061	-	-	-	-	-	-	-	-	52,061	75,561
Recreational and cultural services	72,880	-	-	-	-	-	-	746	-	73,626	47,500
Other services	17,767	-	-	-	-	-	-	-	211	17,978	17,269
Airport operations	-	23,370	-	-	-	-	-	-	-	23,370	14,988
Electrical utility	-	-	21,116	-	-	-	-	-	-	21,116	25,181
Wastewater utility	-	-	-	18,020	-	-	-	-	-	18,020	19,937
Water utility	-	-	-	-	11,644	-	-	-	-	11,644	6,509
Debt Charges	2,481	-	-	1,738	149	-	2,902	-	291	7,559	6,133
	<b>\$199,929</b>	<b>\$ 23,370</b>	<b>\$ 21,116</b>	<b>\$ 19,757</b>	<b>\$11,792</b>	<b>-</b>	<b>\$ 2,902</b>	<b>\$ 746</b>	<b>\$ 501</b>	<b>\$280,114</b>	<b>\$262,581</b>
<b>Net Revenue (Expenditure)</b>	<b>(21,069)</b>	<b>(3,685)</b>	<b>3,202</b>	<b>10,429</b>	<b>(4,225)</b>	<b>(7,549)</b>	<b>2,376</b>	<b>(15)</b>	<b>249</b>	<b>(20,289)</b>	<b>(16,778)</b>
Debt issuance	13,794	16,000	-	2,723	7,875	-	-	-	-	40,392	29,867
Debt repayment	(1,465)	-	-	(1,443)	(157)	-	(1,715)	-	(249)	(5,029)	(3,922)
Transfer (to) from other funds	(3,892)	(25)	(2,208)	112	(536)	6,437	-	-	-	(113)	507
<b>(Decrease) increase in fund balances</b>	<b>\$ (12,632)</b>	<b>\$ 12,290</b>	<b>\$ 993</b>	<b>\$ 11,821</b>	<b>\$ 2,957</b>	<b>\$ (1,113)</b>	<b>\$ 660</b>	<b>\$ (15)</b>	<b>\$ -</b>	<b>\$ 14,961</b>	<b>\$ 9,674</b>
Fund balance, beginning of year	59,228	5,562	5,322	5,706	2,050	31,786	2,922	51	166	112,793	103,119
<b>Fund balance, end of year</b>	<b>\$ 46,596</b>	<b>\$ 17,852</b>	<b>\$ 6,315</b>	<b>\$ 17,527</b>	<b>\$ 5,007</b>	<b>\$ 30,673</b>	<b>\$ 3,582</b>	<b>\$ 36</b>	<b>\$ 166</b>	<b>\$127,754</b>	<b>\$112,793</b>

### Statement of Reserves and Surplus - by Fund

For the Year Ended December 31, 2008 (in thousands of dollars)

	General Fund 2008	Airport Fund 2008	Electrical Fund 2008	Wastewater Fund 2008	Water Fund 2008	Natural Gas Legacy Fund 2008	Festivals Kelowna 2008	Library Society 2008	Consolidated 2008	Consolidated 2007
Reserves for future expenditures	\$ 35,702	\$ 17,691	\$ 5,231	\$ 13,934	\$ 3,015	\$ -	\$ -	\$ -	\$ 75,572	\$ 69,800
<b>Surplus</b>										
Balance, beginning of year	22,780	(8,154)	3,184	(9,539)	(203)	2,922	51	166	11,207	9,081
Add:										
Transfer from reserve for future expenditure	15,032	6,563	472	3,164	179	-	-	-	25,411	29,085
Increase (decrease) in fund balance	(12,632)	12,289	993	11,821	2,957	660	(15)	-	16,073	8,781
Deduct:										
Transfer to reserve for future expenditure	14,286	10,537	3,565	1,853	941	-	-	-	31,182	35,740
Balance, end of year	\$ 10,894	\$ 161	\$ 1,084	\$ 3,593	\$ 1,992	\$ 3,582	\$ 36	\$ 166	21,509	\$ 11,207
<b>Fund balance, end of year</b>	<b>\$ 46,596</b>	<b>\$ 17,852</b>	<b>\$ 6,315</b>	<b>\$ 17,527</b>	<b>\$ 5,007</b>	<b>\$ 3,582</b>	<b>\$ 36</b>	<b>\$ 166</b>	<b>\$ 97,081</b>	<b>\$ 81,007</b>

### Statement of Equity in Capital Assets - by Fund

For the Year Ended December 31, 2008 (in thousands of dollars)

Balance, beginning of year	\$631,102	\$ 55,092	\$ 42,145	\$179,439	\$ 63,765	\$ 15,826	-	\$ 4,563	\$ 991,931	\$ 906,982
<b>Contributions to Capital Assets</b>										
Operating fund	36,687	(3,495)	3,322	(7,437)	(1,085)	-	-	-	27,992	35,537
Trust and other funds	369	-	-	-	-	-	-	-	369	3,758
Statutory reserve funds	10,362	-	-	2,400	-	-	-	-	12,762	8,554
Public	44	-	-	-	-	-	-	-	44	177
Federal government	458	2,465	-	-	-	-	-	-	2,923	923
Provincial government	1,343	-	-	74	-	-	-	-	1,418	8,039
Development cost charge contribution	12,574	-	-	6,828	15	-	-	-	19,417	22,053
Developers	1,378	-	77	6,162	324	-	-	-	7,941	2,903
Proceeds from the sale of capital assets	42	-	-	-	-	-	-	-	42	122
	\$ 63,257	\$ (1,030)	\$ 3,399	\$ 8,027	\$ (746)	-	-	-	72,908	\$ 82,066
<b>Debt Retirement</b>										
Retirement of debt	1,465	-	-	1,443	157	1,715	-	249	5,029	3,922
Actuarial increase in sinking funds	336	-	-	780	175	755	-	-	2,046	1,646
	\$ 1,801	-	-	\$ 2,223	\$ 332	\$ 2,470	-	\$ 249	7,075	\$ 5,568
Asset disposal at original cost	(4,389)	-	-	-	-	-	-	-	(4,389)	(2,685)
<b>Balance, end of year</b>	<b>\$691,770</b>	<b>\$ 54,062</b>	<b>\$ 45,544</b>	<b>\$189,689</b>	<b>\$ 63,352</b>	<b>\$ 18,296</b>	<b>\$ -</b>	<b>\$ 4,812</b>	<b>\$1,067,525</b>	<b>\$ 991,931</b>
<b>Capital asset additions</b>										
Contributions to capital assets	\$ 63,257	\$ (1,030)	\$ 3,399	\$ 8,027	\$ (746)	\$ -	\$ -	\$ -	\$ 72,908	\$ 82,066
Debt Issuance	13,794	16,000	-	2,723	7,875	-	-	-	40,392	29,867
Total capital assets acquired	\$ 77,051	\$ 14,970	\$ 3,399	\$ 10,750	\$ 7,129	-	-	-	113,300	\$ 111,933
Assets disposal at original cost	(4,389)	-	-	-	-	-	-	-	(4,389)	(2,685)
<b>Increase in capital assets</b>	<b>\$ 72,662</b>	<b>\$ 14,970</b>	<b>\$ 3,399</b>	<b>\$ 10,750</b>	<b>\$ 7,129</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 108,911</b>	<b>\$ 109,248</b>

**Debenture Debt - General Fund**As at December 31, 2008 (*in thousands of dollars*)

<b>Year of Maturity</b>	<b>Purpose</b>	<b>Debenture Balance Dec 31, 2008</b>	<b>Sinking Fund Balance Dec 31, 2008</b>	<b>Amount of Issue</b>	<b>Current Interest Rate %</b>
<b>Public Works</b>					
2019	South Pandosy Spec Area 1	\$ 156	\$ 78	\$ 234	5.99
2019	South Pandosy Spec Area 2	273	137	410	5.99
2021	Downtown Parkade	1,466	734	2,200	7.42
2022	Chapman Parkade	3,268	803	4,071	5.37
2028	DCC Roads	10,400	-	10,400	4.35
<b>Local Improvements</b>					
2010	Local Improvements	-	866	866	6.50
2011	Local Improvements	155	555	710	10.25
2011	Local Improvements	16	59	75	7.42
2014	Local Improvements	231	336	567	9.52
2016	Local Improvements	204	189	393	4.00
2016	Local Improvements	140	129	269	7.42
2017	Local Improvements	31	23	54	5.85
2019	Local Improvements	46	23	69	5.49
<b>Recreation and Cultural</b>					
2011	Brandt's Creek	262	738	1,000	4.00
2021	Okanagan Gymnastic Centre	377	123	500	5.69
2027	H <sub>2</sub> O Adventure + Fitness Centre	26,577	923	27,500	4.82
2027	Okanagan Gymnastic Centre	773	27	800	4.82
2028	H <sub>2</sub> O Adventure + Fitness Centre	2,000	-	2,000	4.35
		<b>\$ 46,375</b>	<b>\$ 5,743</b>	<b>\$ 52,118</b>	
<b>Short Term Debt</b>					
2013	Cedar Avenue Land	\$ 700	\$ -	\$ 700	Prime
2013	Agresso Software System	694	-	694	Prime
		<b>\$ 1,394</b>	<b>-</b>	<b>\$ 1,394</b>	
		<b>\$ 47,769</b>	<b>\$ 5,743</b>	<b>\$ 53,512</b>	

**Debenture Debt - Airport Fund**As at December 31, 2008 (*in thousands of dollars*)

2018	Airport expansion	<b>\$ 16,000</b>	<b>\$ -</b>	<b>\$ 16,000</b>	<b>4.65</b>
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## Debenture Debt - Wastewater Fund

As at December 31, 2008 (*in thousands of dollars*)

<b>Year of Maturity</b>	<b>Purpose</b>	<b>Debenture Balance Dec 31, 2008</b>	<b>Sinking Fund Balance Dec 31, 2008</b>	<b>Amount of Issue</b>	<b>Current Interest Rate %</b>
<b>Specified Area Programs</b>					
2013	Spec Area 14 - N.Glenmore	\$ 48	\$ 91	\$ 139	5.50
2013	Spec Area 15 - Belgo Molnar	13	24	37	6.25
2013	Spec Area 6 - Black Mtn/Toovey	396	744	1,140	6.25
2015	Spec Area 17 - Mission Flats	627	723	1,350	4.75
2018	Spec Area 18 - Caramillo	84	51	135	5.55
2018	Spec Area 19 - Poplar Point	48	29	77	5.55
2022	Spec Area 22A- Gerstmar	31	8	39	6.06
2024	Spec Area 21A- McKenzie Bench	1,174	176	1,350	4.98
2024	Spec Area 22B- Vista Rd	69	10	79	4.98
2024	Spec Area 22C- Hein Rd	231	35	266	4.98
2024	Spec Area 22D- Elwyn Rd	129	20	149	4.98
2024	Spec Area 22E- Dease Rd	83	13	96	4.98
2024	Spec Area 22F- Mills Rd	298	44	342	4.98
2024	Spec Area 29 - Campion Cambro	760	114	874	4.98
2024	Spec Area 30- Acland	317	47	364	4.98
2025	Spec Area 20-North Rutland	6,107	715	6,822	4.17
2025	Spec Area 28A - Okaview	572	66	638	4.17
2028	Spec Area 26 - Fisher Rd	2,021	-	2,021	4.35
2028	Spec Area 34 - Country Rhodes	435	-	435	4.35
2028	Spec Area 36 - Clifton	267	-	267	4.35
<b>Sewer Improvement Programs</b>					
2009	Mission Sewer Trunk Main	30	298	328	5.00
2009	Sewer Trunk Main	72	716	788	5.00
2010	Sewer System Improvements	28	130	158	4.00
2014	Glenwood Sewer Main Replacement	44	46	90	5.49
2014	Long St. Sewer Main Replacement	31	33	64	5.49
2019	Byrns Baron Main	3,094	772	3,866	4.98
<b>Wastewater Treatment Plant</b>					
2009	KPCC Upgrade #1	229	2,271	2,500	5.00
2011	KPCC Administration Building	262	738	1,000	4.00
2011	KPCC Administration Building	184	516	700	7.42
2011	KPCC Sewer Treatment Plant	525	1,475	2,000	7.42
2011	Sewer Treatment Plant Stage II	79	221	300	7.42
2011	Sewer Treatment Plant Upgrade	335	940	1,275	4.00
2014	Sewer Treatment Plant Phase III	3,912	4,088	8,000	5.99
		<b>\$ 22,535</b>	<b>\$ 15,154</b>	<b>\$ 37,689</b>	

### **Debenture Debt - Water Fund**

As at December 31, 2008 (*in thousands of dollars*)

<b>Year of Maturity</b>	<b>Purpose</b>	<b>Debenture Balance Dec 31, 2008</b>	<b>Sinking Fund Balance Dec 31, 2008</b>	<b>Amount of Issue</b>	<b>Current Interest Rate %</b>
<b>Specified Area Programs</b>					
2023	Spec Area 16 - Byrns	\$ 33	\$ 7	\$ 39	4.78
2024	Spec Area 18 - Lakeshore	20	3	24	4.98
2028	Spec Area 26 - Fisher Rd	298	-	298	4.35
<b>Water Improvement Programs</b>					
2008	Poplar Point Reservoir Covers	-	386	386	5.50
2008	Water System Improvements	-	118	118	5.50
2009	Cadder Ave Improvements	6	64	70	5.00
2009	McDougal Ave Improvements	2	23	25	5.00
2009	Wilson Ave Improvements	5	54	60	5.00
2010	Water System Improvements	57	261	318	4.00
2011	Caramillo Pressure Valve	13	37	50	7.42
2011	Dilworth Reservoir Repairs	66	184	250	7.42
2011	Knox Mountain Reservoir	262	738	1,000	4.00
2011	Knox Mountain Reservoir	143	401	544	7.42
2011	Water System Improvements	81	229	310	4.00
2012	Poplar Point	162	311	473	5.85
2028	Cedar Creek Pump Station	7,577	-	7,577	4.35
		<b>\$ 8,725</b>	<b>\$ 2,816</b>	<b>\$ 11,542</b>	

### **Debenture Debt - Natural Gas Legacy Fund**

As at December 31, 2008 (*in thousands of dollars*)

2018	Leased Capital Assets	\$ 21,096	\$ 8,704	\$ 29,800	6.01
2018	Leased Capital Assets	13,804	5,696	19,500	3.15
		<b>\$ 34,900</b>	<b>\$ 14,400</b>	<b>\$ 49,300</b>	

**Reserves and Surplus - Five Year Comparison**  
*(in thousands of dollars)*

	Actual 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
<b>Surplus and Reserves for Future Expenditure</b>					
<b>General Fund</b>					
Reserves	<b>\$ 35,702</b>	\$ 36,449	\$ 42,859	\$ 47,368	\$ 46,178
Surplus	<b>10,894</b>	22,780	1,133	3,167	3,122
<b>Airport Fund</b>					
Reserves	<b>17,691</b>	13,716	9,663	8,165	7,083
Surplus (deficit)	<b>161</b>	(8,154)	(4,891)	(2,923)	(3,444)
<b>Electrical Fund</b>					
Reserves	<b>5,231</b>	2,137	3,026	3,078	3,131
Surplus	<b>1,084</b>	3,184	9,242	9,376	8,574
<b>Wastewater Fund</b>					
Reserves	<b>13,934</b>	15,245	5,686	3,795	3,021
Surplus (deficit)	<b>3,593</b>	(9,539)	1,420	7,297	10,749
<b>Water Fund</b>					
Reserves	<b>3,015</b>	2,253	1,911	3,457	4,696
Surplus (deficit)	<b>1,992</b>	(203)	(307)	1,082	1,632
<b>Natural Gas Legacy Fund</b>					
Surplus	<b>3,582</b>	2,922	2,318	1,270	2,248
<b>Festivals Kelowna</b>					
Surplus	<b>36</b>	51	-	-	-
<b>Library Fund</b>					
Surplus	<b>166</b>	166	166	166	166
<b>Total Surplus and Reserves for Future Expenditures</b>	<b>\$ 97,081</b>	\$ 81,007	\$ 72,226	\$ 85,298	\$ 87,156
<b>Statutory Reserves</b>					
Capital Works Machinery and Equipment	<b>22,444</b>	25,358	24,355	32,619	30,403
Land Sales	<b>7,565</b>	5,336	4,661	3,095	4,843
Parking	<b>664</b>	1,092	1,877	2,123	1,852
<b>Total Statutory Reserves</b>	<b>\$ 30,673</b>	\$ 31,786	\$ 30,893	\$ 37,837	\$ 37,098
<b>Deferred development cost charges</b>					
	<b>50,489</b>	43,809	41,759	53,358	48,162
	<b>\$178,243</b>	\$ 156,602	\$ 144,878	\$ 176,493	\$ 172,416

### **Capital Expenditures and Funding Sources**

For the Year Ended December 31, 2008 (in thousands of dollars)

	<b>Operating Fund</b>	<b>Fed/Prov Funding</b>	<b>Statutory Reserves</b>	<b>Developer/Public</b>	<b>Borrowing/Other</b>	<b>Actual 2008</b>	<b>Actual 2007</b>
<b>General Fund</b>							
Land							
General government services	\$ -	\$ -	\$ 1,388	\$ -	\$ -	\$ 1,388	\$ -
Transportation services	1,530	-	14	1,115	-	2,659	7,758
Public health and welfare	-	-	-	-	-	-	319
Recreation and cultural services	1,766	-	962	8,488	-	11,216	4,098
Other	-	-	-	-	-	-	34
	<b>\$ 3,296</b>	<b>-</b>	<b>\$ 2,364</b>	<b>\$ 9,603</b>	<b>-</b>	<b>\$ 15,263</b>	<b>\$ 12,209</b>
Buildings							
General government services	204	-	-	-	-	204	418
Protective services	150	-	-	-	-	150	943
Transportation services	23	-	-	37	-	60	159
Recreation and cultural services	2,767	-	829	484	26,818	30,898	13,305
	<b>\$ 3,144</b>	<b>-</b>	<b>829</b>	<b>521</b>	<b>\$ 26,818</b>	<b>\$ 31,312</b>	<b>\$ 14,825</b>
Engineering Structures							
Transportation services	9,176	1,021	2,257	3,375	1,956	17,785	39,437
Environmental health services	-	-	2,843	153	-	2,996	2,917
Recreation and cultural services	3,426	724	21	683	-	4,854	5,190
	<b>\$ 12,602</b>	<b>\$ 1,745</b>	<b>\$ 5,121</b>	<b>\$ 4,211</b>	<b>\$ 1,956</b>	<b>\$ 25,635</b>	<b>\$ 47,544</b>
Machinery and Equipment							
General government services	1,602	-	-	-	-	1,602	1,890
Protective services	209	-	76	8	-	293	320
Transportation services	368	57	1,973	30	-	2,428	3,353
Environmental health services	(5)	-	-	34	-	29	90
Recreation and cultural services	490	-	-	-	-	490	485
	<b>\$ 2,664</b>	<b>\$ 57</b>	<b>\$ 2,049</b>	<b>72</b>	<b>-</b>	<b>4,842</b>	<b>\$ 6,138</b>
<b>Total General Fund</b>	<b>\$ 21,706</b>	<b>\$ 1,802</b>	<b>\$ 10,363</b>	<b>\$ 14,407</b>	<b>\$ 28,774</b>	<b>\$ 77,052</b>	<b>\$ 80,716</b>
<b>Airport Fund</b>							
Buildings	(7,619)	-	-	-	16,000	8,381	7,609
Engineering Structures	3,777	2,465	-	-	-	6,242	505
Machinery and Equipment	347	-	-	-	-	347	50
	<b>\$ (3,495)</b>	<b>\$ 2,465</b>	<b>-</b>	<b>-</b>	<b>\$ 16,000</b>	<b>\$ 14,970</b>	<b>\$ 8,164</b>
<b>Electric Utility Fund</b>							
Engineering Structures	3,172	-	-	77	-	3,249	7,662
Machinery and Equipment	150	-	-	-	-	150	390
	<b>\$ 3,322</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>\$ 3,399</b>	<b>\$ 8,052</b>
<b>Wastewater Utility Fund</b>							
Engineering Structures	4,835	74	2,400	12,990	(9,728)	10,571	12,553
Machinery and Equipment	179	-	-	-	-	179	17
	<b>\$ 5,014</b>	<b>\$ 74</b>	<b>\$ 2,400</b>	<b>\$ 12,990</b>	<b>\$ (9,728)</b>	<b>\$ 10,750</b>	<b>\$ 12,570</b>
<b>Water Utility Fund</b>							
Engineering Structures	2,023	-	-	213	4,701	6,937	2,400
Machinery and Equipment	66	-	-	126	-	192	31
	<b>\$ 2,089</b>	<b>-</b>	<b>-</b>	<b>\$ 339</b>	<b>\$ 4,701</b>	<b>\$ 7,129</b>	<b>\$ 2,431</b>
	<b>\$ 28,636</b>	<b>\$ 4,341</b>	<b>\$ 12,763</b>	<b>\$ 27,813</b>	<b>\$ 39,747</b>	<b>\$ 113,300</b>	<b>\$ 111,933</b>

## Consolidated Expenditures By Function and Object

For the Year ended December 31, 2008 (in thousands of dollars)

	General Government	Protective Services	Transportation Services	Cultural Services	Other Services	Airport Services	Electrical Services	Recreation/ Leisure Services	Wastewater Services	Water Services	Festivals Kelowna	Legacy Services	Natural Gas	Actual 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
Salaries and Benefits	\$ 9,192	\$ 18,491	\$ 7,013	\$ 8,255	\$ 4,102	\$ 2,651	\$ 104		\$ 2,650	\$ 1,968	\$ 275	\$ -	\$ 20	\$ 54,721	\$ 49,404	\$ 45,209	\$ 41,593	\$ 40,085
Contract and Professional Services	2,585	1,676	15,763	7,142	6,642	2,737	765		421	405	29	-	35	38,200	33,263	28,039	26,727	26,597
RCMP Contract	-	15,818	-	-	-	302	-		-	-	-	-	-	16,120	14,559	14,014	12,659	11,385
Materials and Supplies	4,370	1,124	3,982	3,205	1,850	2,173	15,775		657	727	441	-	40	34,344	31,410	29,379	27,084	27,386
Equipment	172	267	1,825	1,012	1,105	16	-		394	276	-	-	-	5,067	5,284	4,511	3,515	3,501
Allocations	(3,151)	-	(216)	(117)	(744)	608	1,066		2,115	533	-	-	3	97	51	22	79	(474)
Cost Recoveries	(239)	(12)	(208)	(139)	(1)	(551)	-		-	(32)	-	-	-	(1,182)	(1,065)	(722)	(865)	(801)
Grants and External Transfers	246	48		5,024	1,704	-	-		-	-	-	-	-	7,022	6,937	6,577	5,813	6,085
Utilities	194	323	969	1,042	84	464	7		1,033	637	-	-	113	4,867	4,673	4,300	3,821	3,638
Capital Assets	3,194	442	22,933	47,457	3,024	14,970	3,399		10,750	7,130	-	-	-	113,299	111,932	112,224	76,392	64,139
	\$ 16,563	\$ 38,177	\$ 52,061	\$ 72,881	\$ 17,766	\$ 23,370	\$ 21,116		\$ 18,020	\$ 11,644	\$ 745	-	\$ 212	\$ 272,555	\$ 256,448	\$ 243,553	\$ 196,818	\$ 181,541
Debt Interest and Fiscal Services	2,481	-	-	-	-	-	-		1,737	149	-	2,902	290	7,559	6,133	6,230	6,018	6,197
	\$ 19,044	\$ 38,177	\$ 52,061	\$ 72,881	\$ 17,766	\$ 23,370	\$ 21,116		\$ 19,757	\$ 11,793	\$ 745	\$ 2,902	\$ 502	\$ 280,114	\$ 262,581	\$ 249,783	\$ 202,836	\$ 187,738

## Schedule of Receipts and Disbursements of Federal Gas Tax

For the Year Ended December 31, 2008 (in thousands of dollars)

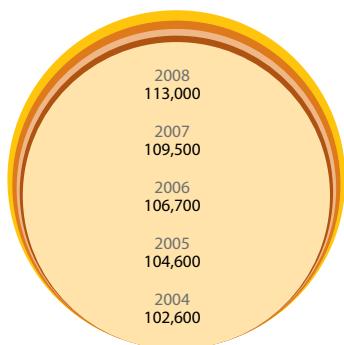
	Actual 2008	Actual 2007
<b>Federal Gas Tax Agreement Funds</b>		
Balance, beginning of the year	\$ 1,637	\$ 1,275
Add:		
Amount received during the year	1,437	1,116
Interest earned	28	48
Deduct:		
Program expenditures	2,276	802
Balance, end of the year	\$ 826	\$ 1,637

## Federal Gas Tax

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

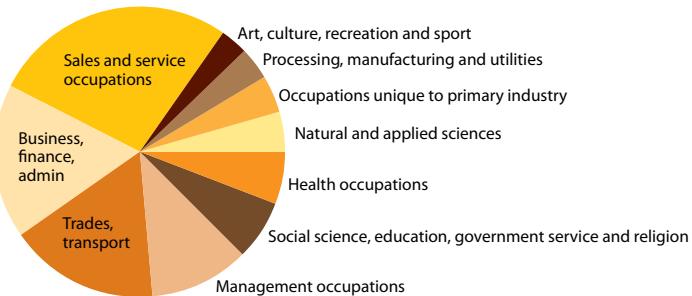
## 2004 TO 2008 STATISTICAL REVIEW

### Population



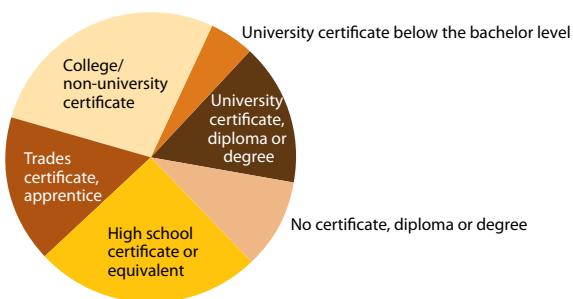
### Occupation

*labour force 15 years and over*

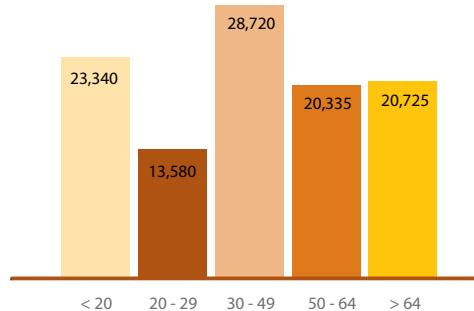


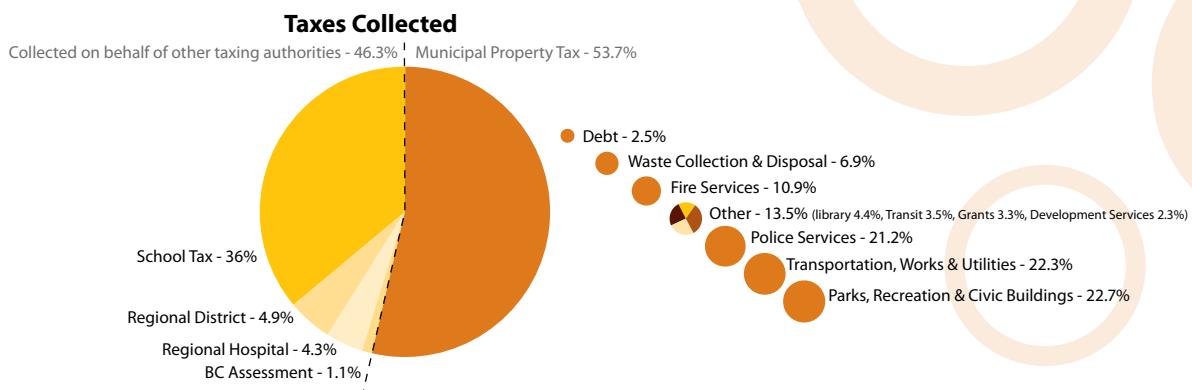
### Education

*population aged 25 - 64*

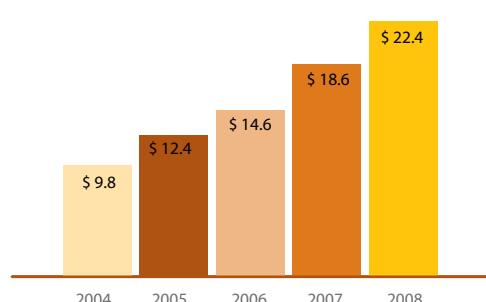


### Age of Population

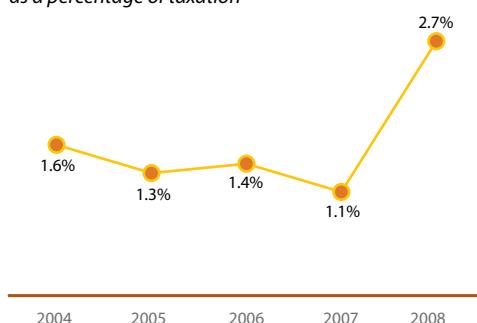




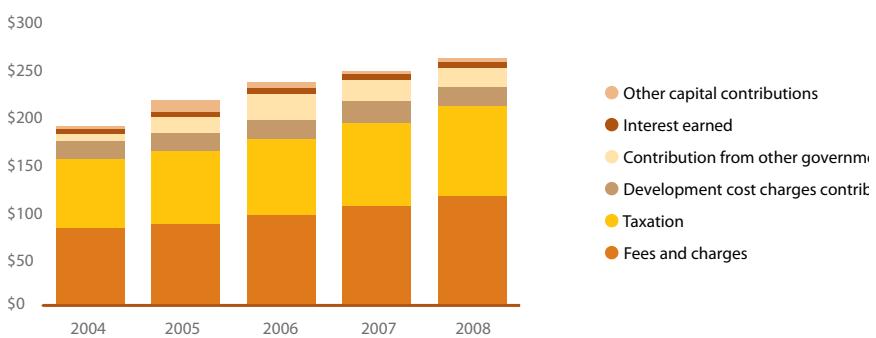
### Assessment for General Taxation billions



### General Debt as a percentage of taxation



### Consolidated Revenues by Type millions

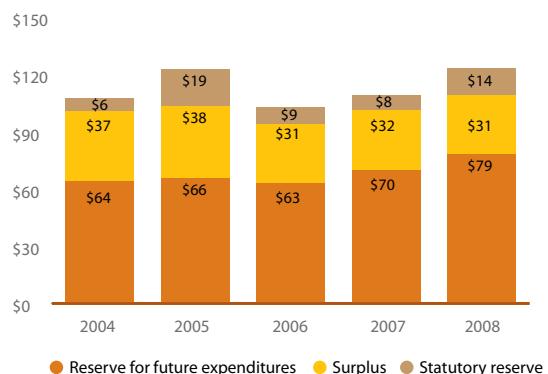


Source:  
City of Kelowna Financial Service Department

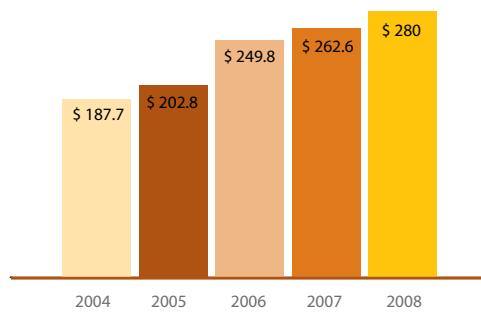
### General Debt *per capita*



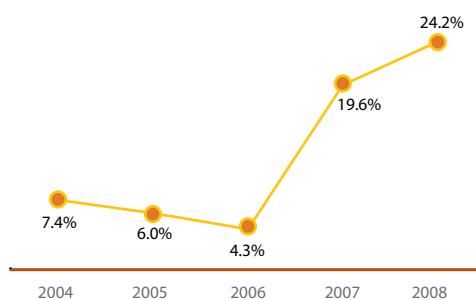
### Consolidated Reserves & Surplus *millions*



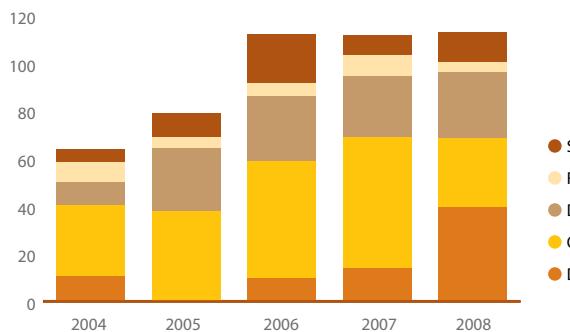
### Consolidated Expenditures *millions*



### Long-Term Debt *as a percentage of general expenditures*

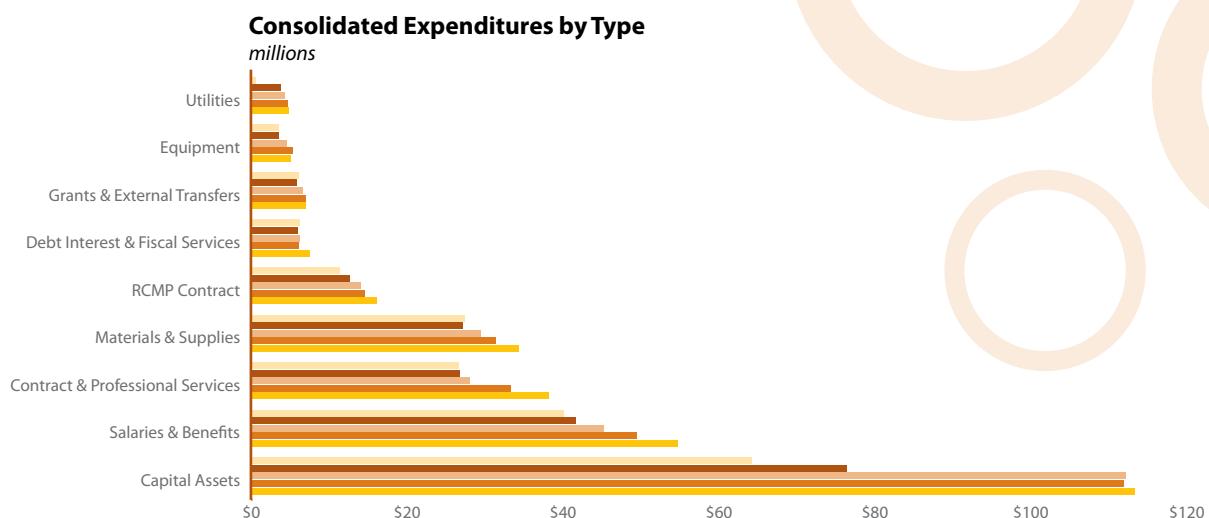


### Capital Expenditures by Source *millions*



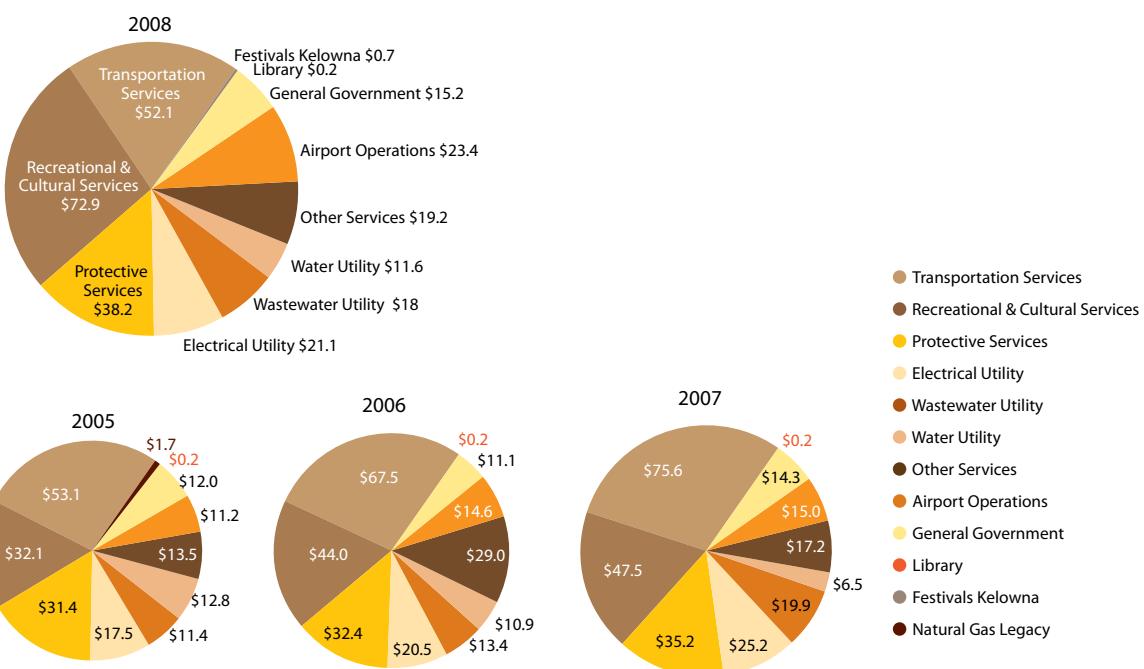
- Statutory reserve funds
- Federal / Provincial Governments
- Developer / Public
- ▲ Operating fund
- Debt and other

Source:  
City of Kelowna Financial Service Department

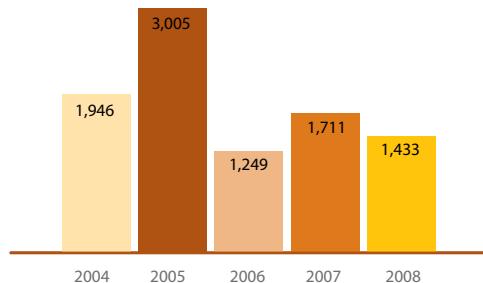
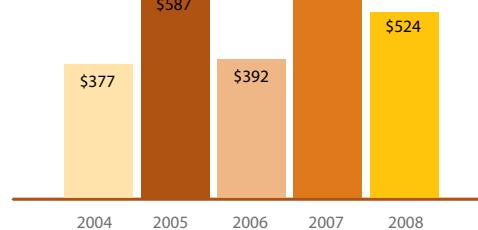
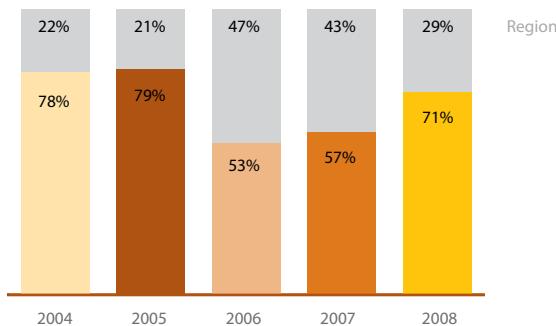
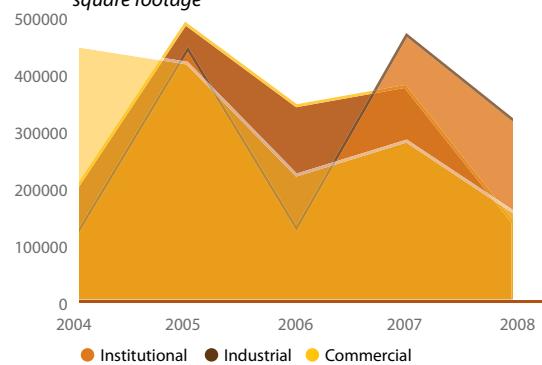


### Consolidated Expenditures by Function

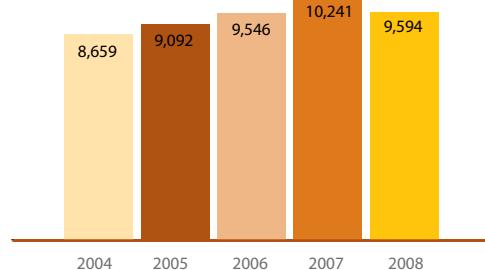
millions



Source:  
City of Kelowna Financial Service Department

**Housing Starts****Value of New Development**  
*millions***Regional Housing Starts****Development Floor Space**  
*square footage**Note:*

The Regional District of the Central Okanagan includes District of West Kelowna, District of Peachland, District of Lake Country, and the Central Okanagan east and west electoral areas.

**Business Licences***Source:*

City of Kelowna Planning & Development Services Department,  
City of Kelowna Business Licenses system,  
Regional District of the Central Okanagan

**KELOWNA.CA**

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