



Your City. *Your Voice.*

2011 Annual Report

for the year ended December 31, 2011



Kelowna
British Columbia
Canada

Community Awards & Accolades

- ▶ **Award of Honour** from BC Heritage, a Heritage Award from the Central Okanagan Heritage Society, and a Renovation Award from the Okanagan Mainline Real Estate Board for the Laurel Packinghouse
- ▶ **Award of Excellence** from the Association of Professional Engineers and Geoscientists of British Columbia for Kelowna International Airport's energy audit/energy model for the terminal building expansion
- ▶ **Award of Excellence** in Planning Practice honourable mention from the Planning Institute of British Columbia for the City's Parkland Acquisition Guidelines
- ▶ **Program Excellence Award** from BC Recreation and Parks Association for the Recreation Opportunities Coupon Program and a PERC Award for Management Innovation and Ingenuity for Everybody Gets to Play
- ▶ **Prism Award** from the Okanagan Chapter of the International Coach Federation
- ▶ **Bronze Award** at the Design Exchange Awards and a Regional Honour Award from the Canadian Society of Landscape Architects for Stuart Park
- ▶ **National Utility Excellence Award** from Canadian Water & Wastewater Association



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Your City. Your Voice.

Message from the Mayor

Our annual report's theme *Your City - Your Voice* describes our work in 2011. From the thousands who voted in the general election to the hundreds who came together to create a new vision for our downtown, we engaged our community as we built plans that will guide our future growth.

Working with our citizens, we adopted a new Official Community Plan, *Kelowna 2030: Greening our Future*, to guide development over the next 20 years. The new policies focus growth in our urban areas, give priority to active modes of transportation, address housing needs of all residents, and protect sensitive ecosystems.

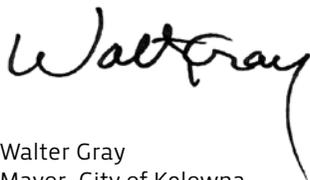
Business owners, cultural leaders, heritage supporters, residents and youth came together to develop a new Downtown Plan. Partnering with the Downtown Kelowna Association, the City hosted workshops where the voices of business and property owners came together to create plans for the revitalization of Bernard Avenue. Extensive consultations were also the foundation on which a new Housing Strategy was created.

The arts community came together to forge a new Cultural Plan, evaluating the City's progress over the last two decades and creating a new strategy to integrate culture within all neighbourhoods. An important economic driver, the cultural sector creates local jobs and generates \$143 million annually.

Residents also voiced their aspirations during a number of planning initiatives. Together, plans were developed for the Parkinson Activity Centre, a second phase of Stuart Park, a new transit exchange in Rutland Centre, and a multi-use pathway and bridge to the UBC Okanagan campus.

Partnerships remained pivotal to so many accomplishments. Together with the YMCA-YWCA, we opened the doors on a \$6.9 million-expansion to Kelowna Family Y. In partnership with BC Housing, the \$10-million Tutt Street Place supportive housing project was opened.

Kelowna is truly a great place to live and the efforts of our community and our staff in 2011 laid the foundation for continued growth and a vibrant future.



Walter Gray
Mayor, City of Kelowna



At a Glance

- 
- A woman with sunglasses on her head, wearing a white long-sleeved top and white shorts, is smiling and holding a baby in a brown plastic swing. The baby is wearing a white long-sleeved shirt and blue sandals. They are on a sandy beach with a lake and mountains in the background.
- ▶ **117,312** population
 - ▶ **331 km** bike lanes
 - ▶ **423** housing starts
 - ▶ **959** hectares parkland
 - ▶ **9,101** business licenses
 - ▶ **1.39 m** airport passengers
 - ▶ **4.8 m** transit ridership
 - ▶ **\$33.4 m** protective services
 - ▶ **\$265 m** building permits
 - ▶ **\$1 m** non-profit tax exemptions
 - ▶ **546,974** visits to the H₂O Centre
 - ▶ **26°C** average summer temperature
 - ▶ **-6.43°C** average winter temperature

Message from the City Manager

2011 was a planning year, laying the groundwork for the future when modest growth begins to increase the demands in our vibrant community.

Working with the community, significant consultation and planning put in place polices that will support cultural expansion, revitalization of the City's downtown, access to affordable housing and protection of Knox Mountain Park and our urban forest. Considerable efforts were made to look for sustainability initiatives to find energy and water efficiencies and reduce greenhouse gas production. Kelowna was the first city in B.C. to set new irrigation standards to conserve water use in landscaping.

Within the organization, much work has been done to create the foundation for excellence. Our corporate plan focuses on customer service and engaging our community, as we strive to be accountable and results-focused. We also have a renewed commitment to pioneer new ideas, ever looking for better ways to deliver services.

Coming out of the third year of a downturn in the global economy, the local economy showed signs of improving. Kelowna International Airport had 1.39 million passengers pass through its doors and new international routes added. The construction sector has been especially impacted and a more lengthy recovery period is being predicted for that industry. New construction generated \$1 million in tax revenues in 2011, significantly down from the \$2.6 million average over the last five years.

The City's inventory of roads, pipes, buildings and playgrounds has grown rapidly since the early 1990s. The 2011 capital program focused on infrastructure preservation and renewal. Significant infrastructure investment included the \$53-million upgrade to our wastewater facility and the upgrades to Highway 33. We continued to invest in infrastructure to support the active, healthy lifestyle of residents. New neighbourhood parks and pathways were opened, transit facilities upgraded and the Kelowna Family Y expanded.

Working with business and property owners we prepared for the revitalization of Bernard Avenue, which begins in the fall of 2012. Aside from the road works and renewal of underground infrastructure, property owners have partnered with the City to co-fund a significant streetscape initiative. This multi-year \$14-million project will change the look and feel of Kelowna's downtown core.

Our partnership with our community remained strong. Together, with the dedicated efforts of our staff, we will move towards our goal to make Kelowna the best mid-sized city in North America.



Ron Mattiussi
City Manager



Strategic Plan

To be the best mid-sized city in North America

-Our Vision

Leading the development of a safe, vibrant and sustainable city

-Our Mission

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 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

Corporate Focus

Performance excellence

- ▶ We deliver on our plan

Passionate public service

- ▶ We retain and attract the best

Responsive customer service

- ▶ We put people first

Engaged communities

- ▶ We encourage participation

Pioneering leadership

- ▶ We find better ways

Sustainable city

- ▶ We deliver on a multiple bottom line

*A place to
stay active*

Foster the social and well-being of residents

TAKING ACTION IN 2011

- ▶ 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



A healthy, active community

Recreation

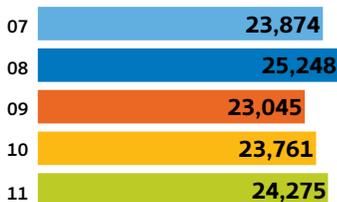
With three aquatic centres, four arenas, dedicated sport centres and recreation parks, the City continued to provide sport rental space and deliver a broad spectrum of multi-age recreation and cultural programming for individuals of all abilities. Programs were taken to the community through the Park & Play, Neighbourhood Walks and the Dancing in the Park programs.

Kelowna Family Y

The doors opened on a \$6.9-million expansion to the Kelowna Family Y in September 2011. The 1,670-sq.-metre expansion was constructed in partnership with the YMCA-YWCA and included a gymnasium, a suspended running track, children's centre and youth zone added to the existing facility. The project received a \$1-million grant from the Recreation Infrastructure Canada Program and \$3.1 million of community funds raised from the YMCA-YWCA capital campaign.

Funds of \$750,000 were invested in parking lot improvement to provide an additional 75 parking stalls to meet the new building requirements and improve the traffic flow through Rutland Recreational Park from Dodd to Hartman Roads.

Recreation & Cultural Program Registrations



Source: City of Kelowna, Recreation & Cultural Services
(Does not include registration from the Kelowna Family Y and the H₂O Adventure + Fitness Centre)

Parkinson Activity Centre

Construction began on the \$4.1-million Parkinson Activity Centre. The two-storey 1,200-sq.-metre building will provide multi-age recreation programming and includes a kitchen and lounge area. The design promotes the use of natural lighting and passive ventilation to assist in the heating and cooling of the building, resulting in 75 per cent less greenhouse gas emissions than the Water Street Centre. The Water Street Senior Centre Society will relocate to the facility when it opens in the fall of 2012.

Facility Upgrades

The Elk Stadium grandstand was updated with new seats. A loan of \$70,000 was provided to the Kelowna Curling Club for facility improvements and \$45,000 provided to the Kelowna Minor Fastball Society to support the operation and maintenance of High Noon Ball Park.

H₂O Adventure + Fitness Centre

Monthly attendance at the H₂O Adventure + Fitness Centre averaged 45,000 with nearly 547,000 visits to the centre in 2011. The facility offered more than 2,600 fitness and recreation programs to 18,900 registrants.

Access to Recreation

The City continued to reduce barriers to participation in recreation through the Access to Recreation program and the Everybody Gets to Play Network. In 2011, 200 programs for individuals with disabilities were offered, 18,000 coupons redeemed and \$29,000 provided in support for program registrations. Both programs received awards from the BC Recreation and Parks Association.



Parks

Kelowna’s extensive park system offers great outdoor experiences for all ages, any day of the year. Showcase waterfront parks provide access to Okanagan Lake while neighbourhood and community parks provide playgrounds and open spaces for children, families and seniors to enjoy. Natural parks help protect sensitive areas and linear park pathways support active transportation. 2011 marked the first year of Kelowna’s park system going smoke-free.

Lakes, beaches and parks were cited as the number one attraction to Kelowna in a Kelowna Tourism survey. Each year, parks and beaches attract more than 1.2 million visitors.

Neighbourhood Parks

The City joined with the Central Okanagan Community Garden Society to expand Pacific Park. An entry plaza, community garden plots and irrigation were added in addition to riparian area enhancements along Mill Creek. Construction was also completed at Birkdale Park in Black Mountain. The new neighbourhood park features a tennis court and an adventure playground, the first of its kind in Kelowna.

Playground upgrades occurred at Redridge Park and Edith Gay Park with additional play elements added at Mugford Park and Cedar Creek Community Centre.

Linear Parks & Trails

The second phase of Powerline Park was completed, including walking paths, naturalized landscape plantings and fencing. The linear park is located in the Southridge neighbourhood of the Upper Mission.

The City completed a number of trails. Including, Eagle View Trail constructed on the landfill property near Quail Ridge, Monashee Trail, which was constructed in partnership with Dilworth Homes, Burtch Road Pathway and Lochview Trail.

Park Restoration

The first phase of restoration work was completed in the City’s largest natural area park from the upper Apex lookout down the front face of Knox Mountain. The Apex Trail was reinstated in Knox Mountain Park as a solitary route by decommissioning unsanctioned trails in an effort to restore environmentally degraded areas.

Rehabilitation of Kerry Park was completed in 2011 at a cost of \$535,000. The removal of an underground fuel tank, replacement of contaminated soil and the replanting of trees were necessary following a fuel leak detected in the summer of 2010.

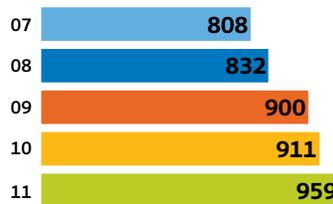
Stuart Park

2011 marked the first season of the Stuart Park ice rink. A sound system was added at the beginning of the 2011-12 season. Residents reviewed plans for phase two that will extend the park northward.

Parkland Acquisition

New parkland acquisition guidelines came into effect in 2011 and received an award of excellence from the Planning Institute of B.C. Land was acquired next to Casorso Elementary School for a future neighbourhood park and a planned extension of Mission Springs Drive. Other parkland acquisitions included areas in Black Mountain, Wilden and Kettle Valley and as well as properties near linear parks that will allow for expansion.

Municipal Parkland hectares



Source: City of Kelowna, Infrastructure Planning





Arts & Culture

The voices of the arts and cultural community continued to be heard, from the vibrant cultural district in the downtown to spirited concerts and festivals. Kelowna's creative sector creates more than 1,700 jobs with an economic impact of more than \$140 million.

Cultural Plan

Kelowna adopted a new five-year Cultural Plan which outlines 10 goal areas and multiple strategies to build cultural vitality, document cultural impact, and integrate culture into local planning efforts.

Arts, Cultural & Heritage Grants

The City provided \$520,000 in grants that support arts, culture and heritage programs for the community. Cultural facility operators, including the Rotary Centre for the Arts, the Kelowna Art Gallery and Kelowna Museums, received support of approximately \$1.2 million.

Theatre Upgrade

The sound system for the Kelowna Community Theatre was upgraded at a cost of \$135,000. Funding from Canadian Heritage will support phase two of the upgrade in 2012. In 2011, the Theatre held 227 performance nights with 101,000 in attendance.

Cultural Summit

Supported by provincial grant funding, Kelowna hosted the first Arts & Culture Summit which brought together more than 100 artists and cultural organizations from across the Southern Interior for learning and exchange.

B.C. Dragoons Centennial

The City supported the B.C. Dragoons regiment's centennial celebrations in May. A delegation from Kelowna's Sister City in Veendam, Holland, along with 200 military personnel, participated in regimental parade. The B.C. Dragoons re-established the Freedom of the City

Award originally bestowed on them in 1963. The regiment was among the first of the Allied troops to reach and liberate the community of Veendam during the Second World War.

Fran Kiefer Bezeau's statue 'Coming Home' was commissioned to commemorate the centennial and donated to the City's public art collection. The statue was installed in the arrivals lounge at the Kelowna International Airport. A centennial mural was also placed on the outside wall of the Memorial Arena.

Public Art

The Public Art program supported the 'Please Touch the Art' month-long exhibition in partnership with the Kelowna Art Gallery. Engaging the public in a dialogue about public art, the exhibition profiled prominent artworks in the collection.

The Community Public Art program supported the EcoArt project in conjunction with Science Opportunities for Kids, which uses hands-on activities to encourage children to explore and express their experiences.

Firefighter Memorial

The Kelowna Fire Department unveiled the 'Tradition of Service' firefighters' memorial monument which features a granite Maltese cross foundation and a bronze statue of two firefighters and a child during a rescue. The unveiling was part of the tenth anniversary observance of the New York 9/11 terrorist attacks. The monument was cost shared by the Kelowna Professional Firefighters Association, paid on-call firefighters, and the City.

Parade Float

The City unveiled a new community float in 2011 and participated in more than 20 festivals and parades throughout the Pacific Northwest. Through its 2011 travels, the float was honoured with numerous awards, including a third place finish in the municipal category at the Calgary Stampede Parade.

Protective Services & Public Safety

Fire Services

In 2011, Kelowna Fire Department faced a number of large scale emergencies including fires at Flooring Canada on Banks Road, Deacoff Lumber on McCurdy Road, apartments at Laurentien Heights and Lequime Road and the civic building at City Park. An estimated \$16.5 million in property value was lost to fire in 2011.

Operating from seven fire stations, the Department responded to 9,518 calls, including 2,993 alarms, fires and motor vehicle accidents and 6,525 medical first responder calls. Fire protection agreements were finalized with Regional District of Central Okanagan for June Springs and Lakeshore Rd areas. A new \$750,000 fire engine was put into service.

Dispatch service was expanded to the Regional District of Okanagan Similkameen near the end of 2011. The Dispatch Centre saw a 6.4 per cent increase to 21,270 dispatch incidents in 2011. Kelowna is now the third largest dispatch centre in the province serving 42 fire halls, 14,000 sq. km and a population more than 250,000.

Fire prevention remained a key part of the Department's year-round outreach, with the department completing more than 4,100 inspections. Staff assisted in the development of the Community Wildfire Protection Plan and Development Guidelines for Interface Areas. Forty fire investigations were conducted, consisting of 30 structure fires, seven wildfires and three vehicle fires. Staff attended 118 public events to promote fire safety in the community, targeting thousands of residents. In addition to Fire Prevention Week, staff provided station tours, safety talks, fire extinguisher training and participated in a number of charity events.

The Regional Emergency Program entered into a partnership agreement with the Canadian Red Cross to provide disaster relief services beyond the 72 hour capacity in place. Following the Laurentian Heights Apartment Fire, a Community Resiliency Centre was established immediately after the fire and staffed by Red Cross volunteers.

For the first time in several years, a spring flooding season was experienced. The Emergency Operations Centre was active for 46 days to support the response to flooding. A one-in-200-year rainstorm hit the city on August 10, 2011 resulting in widespread flooding to residences.

The department operated with 96 firefighters and 65 paid on-call members.

A recruitment campaign drew more than 450 applicants. An eligibility list of 25 candidates was established to supply quality recruits through 2013. Seven of the candidates were trained and put into service.

Community Safety

For the fourth year in a row, the RCMP experienced a decrease in calls down to 64,600 from 70,000 in 2007. Vehicle theft and motor vehicles accidents dropped by 20 per cent from 2010 and robberies and assaults dropped by nearly 10 per cent.

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. Auxiliary members delivered pin pad fraud and counterfeiting prevention materials to local businesses. Sixteen new auxiliary constables graduated into the program.

The Kelowna RCMP Detachment operated with 144 full time regular members.

Kelowna joined with eight other local municipalities to administer a new process to adjudicate bylaw ticket disputes. The change removed costly and time-consuming disputes from the court system. The Noise and Disturbances Bylaw was amended to include portable sound meter readings for motorcycles, boats and vehicle stereos.

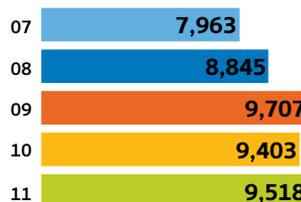
In 2011, Bylaw Services saw a 10 per cent increase in calls for service to 9,100 with the most common being noise complaints, requests for traffic and parking enforcement, business licenses and violations under the Parks Bylaw. The AutoVu license plate recognition system continued to be a valuable tool for parking management.

The Biz Patrol, park ambassador program, and summer bylaw and RCMP bike patrols continued in 2011 to ensure the downtown, parks and beaches were clean and safe.

Social Services

The City provided grants of \$127,000 to assist social agencies offering services to Kelowna residents, including the Central Okanagan Elizabeth Fry Society, Inn from the Cold, Kelowna Community Resources, Kelowna Gospel Mission, and New Opportunities for Women.

Fire Incidents



Source: Kelowna Fire Department



LOOKING FORWARD TO 2012-2013

- ▶ Implement the Cultural Plan
- ▶ Celebrate the 50th season of the Kelowna Community Theatre
- ▶ Complete construction of the Parkinson Activity Centre
- ▶ Continue the upgrade and expansion of the City's waterfront parks

A PLACE
TO BIKE
TO WORK

Foster the social
and well-being
of residents
and visitors

TAKING ACTION IN 2011

- ▶ 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



Diverse and sustainable infrastructure

Sustainable Transportation

The City continued its investment in off-road pathways and transit infrastructure that will improve commuting options, helping to reduce greenhouse gas emissions and traffic congestion.

Bike Network

The City continued to invest in its active transportation network of multi-use pathways. Off road pathways were constructed along Cawston Avenue, Sutherland Avenue, and Highway 33. Bike lanes were added on Acland and Edwards Roads in the North Rutland area and along Lanfranco Road. Consultations were held on a planned pathway and bridge to the UBC Okanagan campus.

To improve safety for cyclists, bike lanes were painted green at the intersection of Dilworth Drive and Springfield Road and those along Enterprise Way.

The Gopher Creek pedestrian underpass was constructed, connecting the communities on both sides of Highway 33 and linking the existing trail near Black Mountain Elementary. The \$500,000 project was funded by Gas Tax-Community Works Funds.

More than 4,000 participated in the seventh annual Bike to Work Week, which included Bike to School and Bike to Faith promotions. The campaign to get active and reduce vehicle use drew 312 new commuter cyclists. In total, the cyclists traveled more than 100,000 kilometres during the week, reducing greenhouse gas emissions by over 23,500 kilograms.

Transit

Transit ridership reached 4.8 million. Two additional buses were added to expand service for university and college students. Shelters were replaced at Orchard Park Mall Transit Exchange and five additional units were added, dramatically improving customer comfort at the busy exchange. Across the city, all transit benches were replaced and 12 new locations added.

Transit Trip Planner software using Google Maps was launched to simplify transit usage for the general public, especially for new riders.

A transit stop was added at McCurdy Road, completing the first phase of the RapidBus line and an implementation strategy developed to extend RapidBus from West Kelowna to UBC Okanagan campus in partnership with Province and BC Transit.

Council endorsed the Transit Future Plan that will guide expansion of public transit service over the next 25 years. The plan calls for a gradual increase in transit funding to expand service and attract more riders. Expanded hours and higher frequency of bus service is foreseen to meet a population that is expected to reach 264,000 Central Okanagan residents by 2036.

Consultations were held to review plans for the Rutland Transit Exchange and improvements at Okanagan College.

The first increase to transit fees was approved since 2007 and the fee adjusted for the Universal Bus Pass (U-PASS) which was endorsed by students at UBC Okanagan campus.

Road Improvements

In partnership with the Province, four-laning of Highway 33 between the Rutland Centre and Black Mountain Road was completed, including transit stops and the creation of a multi-use pathway along the north side of the highway.

The City completed its \$2.9 million road resurfacing program, tendered the construction contract for the first section of John Hindle Way to connect Glenmore Road with Highway 97 and initiated design concepts for Lakeshore Bridge at Mission Creek. A deteriorating section of McCulloch Road near the Canyon Creek development was upgraded. The City partnered with the developer to co-fund the work.

Construction of a Communication Tower and Traffic Management Centre at the Enterprise Fire Hall was completed at a cost of \$950,000.



Sustainable Growth

The voice of the community directed the developments of new plans that will guide Kelowna’s sustainable growth.

Official Community Plan

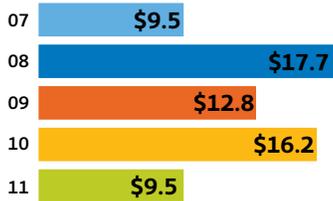
The 2030 Official Community Plan was adopted with policies that focus growth in urban centres, give priority to active modes of transportation, protect sensitive ecosystems and foster sustainable prosperity. A 20-Year Servicing Plan and Financing Strategy was established for the water, wastewater, parkland and transportation infrastructure needed to support new growth as projected in the plan.

Downtown Plan

The City initiated the Downtown Plan which will guide the development of the downtown core as a vibrant destination for visitors and residents. Community and resident stakeholders were engaged in workshops, an urban planning charrette, open houses and surveys to build a vision for the downtown over the next 10 years.

Downtown Public Investments

millions



Source: City of Kelowna, Policy & Planning

Bernard Avenue Revitalization

The \$14-million revitalization of Kelowna’s main street, Bernard Avenue was approved. The project, supported by a \$1.25 million investment from property owners will rejuvenate downtown as well as replace aging utilities and roadway. Work on the two-year project will stop during peak tourism season in the summer. Construction is expected to begin in September 2012.

Housing Strategy

Following extensive public consultations, a new Housing Strategy was approved. The City will continue to seek partnerships to expand affordable housing by using City land and the rental grants program. Enhancements to bylaws to support fee simple townhouses, courtyard housing and additional six-storey housing are planned for 2012.

Affordable Housing

In partnership with BC Housing and the New Opportunities for Women (NOW) Canada Society, the 39-unit \$10-million Tutt Street Place supportive housing project was opened on City-owned land valued at \$550,000.

The third affordable housing project with BC Housing broke ground in 2011. The \$7.4 million, 49-unit Newgate supportive housing project on Rutland Road North will be operated by the John Howard Society of the Central and South Okanagan. The Province and the City of Kelowna forged a partnership in 2008 to build three new housing developments on City-owned sites for those who are homeless or at risk.

The City oversaw the agreement and land transfer between the City, Pleasantvale Homes and BC Housing.

Development Activity

The total value of building permits issued in 2011 exceeded \$265 million. The number of building permits issued was 1,814, a decrease of three per cent from 2010. Overall, the City received 569 development applications, which included applications for 66 legal suites. Subdivisions resulted in the creation of 65 lots with an estimated market value of \$13 million.

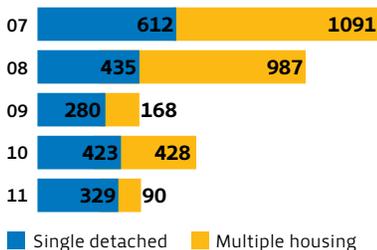
Permit fees were adjusted in 2011. The natural gas, plumbing and building permit fees remain among the lowest for comparable cities in B.C.





Residential Development

building units



Source: City of Kelowna, Policy & Planning

Sustainable Development

Zoning was completed for the five-hectare Central Green development and marketing of the land parcels began. The Revitalization Tax Exemptions program was refined to further support development within the Downtown and Rutland Urban Centres. The City adopted a provincial building code regulation to permit easier installation of solar hot water systems. Provincial approval was received for new Development Cost Charges Bylaw that reduced fees paid by developers.

Heritage Preservation

The City provided \$47,800 to support heritage building conservation and held an informational workshop for building owners. The waiting period between grants was reduced to three years from five.

Water and Wastewater Investments

Already meeting a consistent water quality standard, the City gained approval from Interior Health to postpone water filtration and drinking water source protection, deferring \$130 million in capital upgrades for the City water utility.

At a cost of \$53 million, the wastewater treatment facility was upgraded, increasing capacity from 40 to 72 million litres per day, capable of servicing a population of 170,000. Aging water and wastewater utility infrastructure was upgraded on Raymer Avenue, Ethel Street and water intake was repaired at Cedar Creek pump station.

Necessary upgrades to the Brant's Creek Tradewaste Plant were completed to meet increasing demand and improve process and odour abatement.

A review of water and wastewater pumping and treatment facilities resulted in new initiatives that brought \$250,000 in annual energy costs savings.

Utility Billing Services

The contract with Corix Utility for utility billing customer care, water meter installation and meter reading services was extended until December 2013. A cost reduction of \$74,800 was negotiated.

LOOKING FORWARD TO 2012-2013

- ▶ Develop a long term infrastructure plan
- ▶ Add new transit exchanges at Okanagan College, Mission Recreation Park and Rutland
- ▶ Construct the overpass and pathway to UBC Okanagan campus
- ▶ Ensure future developments follow the sustainable guidelines of the Official Community Plan

*A place
that protects
the lake*

**Maintain, respect
and enhance
our natural
environment**

TAKING ACTION IN 2011

- ▶ 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 a strong priority for residents. In 2011, the City continued its environmental protection and educational outreach, including protecting natural areas and water quality.

Landscape & Irrigation Standards

Kelowna was the first city in B.C. to set a new standard to conserve water use in landscaping. Currently, two-thirds of all water used during the summer in Kelowna goes for outdoor use. Property owners building new homes or renovating existing outdoor landscape irrigation systems are required to apply for a permit.

Boulevard Beautification

2011 marked the first year of a new boulevard maintenance bylaw that saw residents reduce water use by replacing turf with drought-resistant plantings to expand landscaping from their yards to the boulevard.

Community Climate Action Plan

The City consulted with the community to build a Community Climate Action Plan to reach the community's target of a 33 per cent reduction in greenhouse gas emissions.

Corporate Greenhouse Gas Emissions

2011 corporate greenhouse gas emissions were reduced to 2007 levels, despite adding building and fleet inventory during this time. Part of this reduction is attributable to an increase in the use of biodiesel in fleet vehicles and more efficient building heating systems. As part of making progress towards carbon neutrality under the BC Climate Action Charter, the City was refunded \$180,000 in carbon taxes paid on energy.

Corporate Greenhouse Gas Emissions

tonnes CO₂



Source: City of Kelowna, Infrastructure Planning
Includes corporate energy of civic buildings, vehicle fleet, street and park lighting and water, wastewater and solid waste operations.

The City undertook a comprehensive data collection and reporting system. The system is supported by new software that provides regular energy consumption information to support operating decisions. Data will be used to prioritize capital improvement projects that decrease life-cycle energy costs and greenhouse gas emissions.

Urban Forestry

Following public consultations, an Urban Forestry Strategic Plan was completed to guide the management of Kelowna's urban and parkland trees.

Pine beetle education, fuel reduction and cleanup efforts continued in 2011. Nearly 250 infested Ponderosa pines were removed to stop the spread of pine beetle infestation within Kelowna.

In partnership with TD Canada Trust, 1,500 seedlings were planted to restore a natural area damaged by forest fire. TD Green Streets provided a grant of \$15,000 to support the NeighbourWoods project, which provided 400 trees at a reduced cost for Kelowna residents to plant on their properties.

Knox Mountain Park Management Plan

A management plan was created for the City's largest natural area park, which will guide the development of Knox Mountain Park over the next 15 years.

Wildfire Protection Plan

The City developed a Wildfire Protection Plan to address the threat of wildfires in the wildland/urban area interface zone in the City.

Foreshore Mapping

Updated foreshore mapping and analysis of the entire Okanagan Lake was completed. The Okanagan Collaborative Conservation Program – a partnership of local, provincial and federal governments and stewardship and outreach organizations – coordinated the project. The information will be used during environmental assessments of proposed new developments.





Flood Protection

On June 8, 2011 a state of local emergency was declared for two properties along Mission Creek threatened by rising waters. City staff and contractors quickly built a temporary dike on the south bank of Mission Creek to protect properties and City infrastructure. Sand was also provided for creek, stream and lakefront property owners. Assistance was provided by the Provincial Emergency Program.

Sensitive Lands

Twelve hectares of environmentally sensitive land were protected by covenant. Environmental permits triggered by development protected a further 0.94 hectares, including steep hillside lands.

Waste Management & Recycling

2011 saw a 16 per cent reduction in waste disposal at the Glenmore Landfill. More than 45,000 metric tonnes of yard and wood waste were composted to create Glenmore Grow. The curbside collection system diverted 12,200 metric tonnes of recyclable materials to the Cascades Materials Recycling Facility. Landfill tipping fees were waived for local non-profit agencies engaged in recycling materials.

The landfill gas recovery project saw more than 100,000 kWh of electricity generated from captured methane gas. The combination of flaring and combustion of gas in the microturbines destructed the equivalent of 6,000 tonnes of greenhouse gas emissions.

Air Quality

The City continued to support the regional air quality program to reduce smoke pollution and vehicle emissions. In 2011, significant work was done to reduce smoke pollution from open burning through the regional agricultural chipping program as well as several new initiatives. Regional open burning bylaws were updated

to ensure greater protection of local air quality, a new open burning hotline was established, and more than 100 anti-idling signs were distributed to municipalities, community groups and businesses.

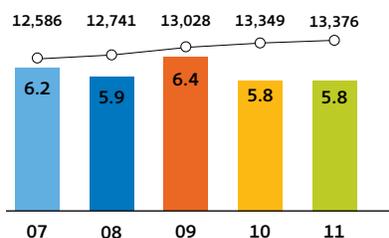
The City also addressed air pollution through Active Transportation initiatives including Bike to School and Work Week, elementary school bike rodeos, Carpool Week, Clean Air Day and Car Free Day.

Environmental Outreach

The City continued its environmental outreach programs, including the Pesticide Free awareness campaign and retailer program. The Adopt-a-Stream program saw 28 volunteer groups participating in the clean-up of streams. Individual, business and groups were recognized for their sustainable approach through the annual Environmental Achievement Awards.

Residential Water Consumption

billion litres ○ accounts



Source: City of Kelowna, Watersmart Program



LOOKING FORWARD TO 2012-2013

- ▶ Implement the Community Climate Action Plan
- ▶ Continue water conservation and energy management initiatives
- ▶ Develop a plan for the integration of water supply and treatment across the city
- ▶ Pilot the smartTRIPS program to increase biking, walking, transit ridership and carpooling to reduce drive-alone trips

A PLACE
THAT WELCOMES
THE WORLD

Foster a strong,
stable and
expanding
economy

TAKING ACTION IN 2011

- ▶ 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

Economic Development

From its downtown core to its urban centres, the voices of business owners and residents helped form new plans and policies that will guide the growth of a safe, vibrant and sustainable city.

Airport Activity

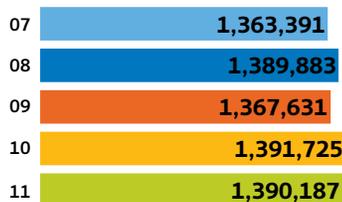
Passenger numbers at Kelowna International Airport (YLW) remained steady at 1.39 million passengers. An economic impact assessment showed the airport's activities create 2,700 jobs and generate \$610 million to the provincial economy.

A wide area multilateration air traffic control was installed to improve aviation airspace safety. 2011 also saw the upgrade of Airport Way and construction of an adjacent multi-use pathway.

Using geothermal heating and other innovations, the design for the YLW's expansion received an excellence award from the Association of Professional Engineers and Geoscientists of BC. When complete, the airport will enjoy lower operating costs and produce 60 per cent less emissions, even though the terminal will almost double in size. An additional 6.9 hectares of land was acquired for future expansions.

YLW continued its seasonal direct and charter services, expanding seasonal service to Phoenix and Las Vegas and charter service to Mazatlan.

Airport Passengers



Source: Kelowna International Airport

Tourism

The City provided \$346,000 to support tourism and 2011 saw an increase in visitors to 1.5 million. The tourism industry provides \$176 million in direct wages.

New Liquor Policy

A new policy for reviewing liquor licensing applications enhanced the application process and supported greater coordination for the overall late-night economy. Council endorsed four liquor primary licence applications that would expand capacity by 1,670 seats.

Business Improvement Areas

In 2011, a levy of \$610,000 was collected for the Downtown Kelowna Association and a levy of \$141,000 for the Uptown Rutland Association from commercial properties to support business improvement activities in these two urban centres.

The City continued its tradition of providing free on-street parking downtown during Saturdays in December.

Business Licences

In 2011, Kelowna issued 1,253 new business licences with an additional 799 businesses taking advantage of the mobile business licence program that allows contractors and tradespeople to conduct business in more than one Okanagan community. Business licence renewal was improved, reducing the number of carry-over renewals from 1,500 to 250. In total, 9,100 business licences were issued.

Vendor Opportunities

Downtown on-street food vendor opportunities were opened for bidding under new regulations. Council agreed to remove the "right of first refusal" clause and \$100-per-month locked in licence fee.

Host City

2011 marked another busy outdoor event season. Kelowna hosted the International Children's Winter Games, the first time the Winter Games were held outside of Europe. More than 470 athletes from 37 cities participated in alpine skiing, cross country skiing, curling, figure skating, hockey, snowboarding and speed skating. The Games had an estimated total economic impact of \$2 million. The City provided \$182,000 in financial support.



Approximately 100 outdoor event applications were processed, including charity fundraising events, street festivals, marathons and the Parks Alive! public concerts. The City hosted the first ever RBC Kelowna GranFondo, a 115-km route that attracted 1,200 cyclists. The fifth annual Centre of Gravity Festival saw the largest attendance in five years with 20,000 tickets sold over the three-day event.

Sport Event Development Grants of \$36,800 helped support 26 provincial, national and international events, contributing approximately \$6 million to the local economy. The City hosted 24 sports tournaments in Rutland and Memorial arenas, 14 swim meets at the H2O Centre and 35 tournaments and special events at City stadiums and sportsfields.

Kelowna Chiefs

The City entered into a five-year lease agreement for the use of Rutland Arena with the Kelowna Chiefs Hockey Club, which plays a competitive level of junior hockey in the Kootenay International Hockey League.

Marina Developments

The City made a call for Request for Proposals for a new marina to provide fueling, public day moorage and boat rentals at the Queensway boat launch. The proponent will design, construct, operate and maintain the facility. The City also facilitated expansion of the Kelowna Yacht Club by 300 stalls.

A fire suppression system was installed at the Kelowna Passenger Ship Marina. The marina provides moorage for eight passenger ships.

The City leased access rights to the Cook Road Boat Launch to Aqua Marine Valet, which offers short- and long-term storage and boat launching services. The adjacent Aqua Resort is still in the development planning stages.

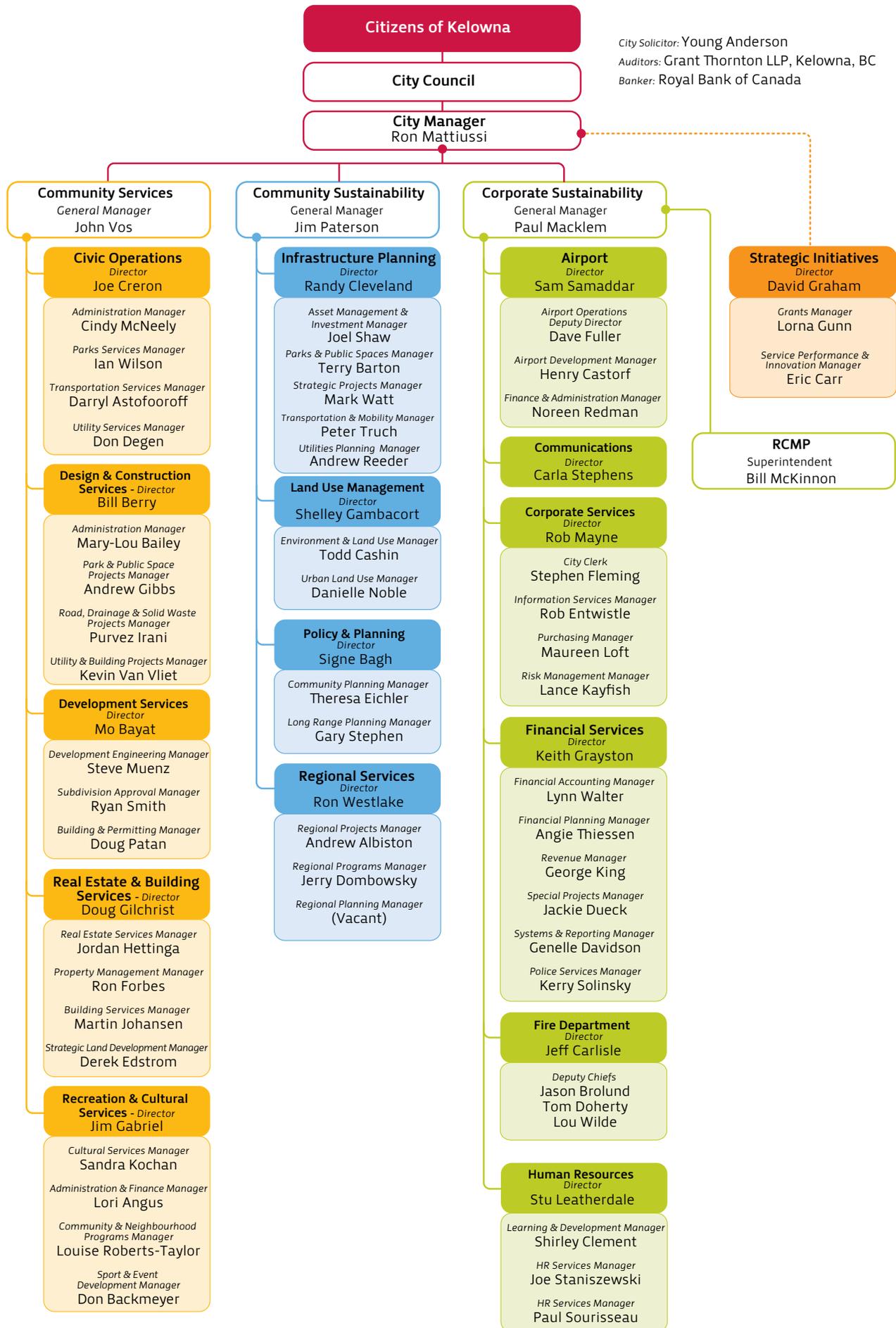
Graffiti Management

The City spent more than \$264,000 on graffiti eradication in 2011. Graffiti vandalism continues to rise as City staff attended to more than 4,900 service requests, an increase of more than 80 per cent from 2010. The City's goal is to remove graffiti on City property within 24 hours of it being reported and supports property owners affected by graffiti vandalism by providing free paint. The City continued to expand its anti-graffiti decorative wrap program on electrical boxes.



LOOKING FORWARD TO 2012-2013

- ▶ Construct a new public marina
- ▶ Implement the Downtown Plan
- ▶ Revitalize Bernard Avenue in the City's downtown
- ▶ Expand Kelowna International Airport to meet growing demand



*A place where
voices count*

We find better
ways to deliver
services to our
community

VALUES

- ▶ We balance priorities to ensure environmental, economic, social and cultural sustainability
- ▶ We pursue excellence and commit to continuous improvement
- ▶ We put people first and focus on service
- ▶ Teamwork powers our decision making



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.

General Election

Elections are held every three years; the most recent of which was held on November 19, 2011. Newly elected were Mayor Walter Gray, Colin Basran, Maxine DeHart, Gail Given, Mohini Singh and Gerry Zimmermann and re-elected were Andre Blanleil, Robert Hobson and Luke Stack.

The 2011 Election saw 29,992 votes cast, a 33 per cent turnout. Four new polling stations were added at Kelowna Family Y, Okanagan College, Orchard Park Shopping Centre and UBC Okanagan campus and advance voting opportunities were expanded to seven. A voter assist terminal provided privacy and accessibility to voters with a vision impairment or disability.

Inter-Municipal Services

2011 marked the third year of an Inter-Municipal Services Advisory Board. The municipalities of Kelowna, Penticton, Vernon and West Kelowna worked together to request continued support from the province for funding the RCMP special enforcement unit for gangs and forest fire fuel mitigation, and to improve the public transit governance model for the Central Okanagan.

Local Government Awareness

“Be heard, get involved and take action” was the message City Council sent out to residents during Local Government Awareness Week in May. A kelowna.ca/getinvolved webpage helped residents participate in planning of future City projects, take action in their neighbourhood, or connect with City Council.

City Council 2011

(L to R) Gerry Zimmermann, Robert Hobson, Mohini Singh, Colin Basran, Mayor Walter Gray, Gail Given, Luke Stack, Maxine DeHart and Andre Blanleil

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 services needed to enhance their quality of life.

Ron Mattiussi led the implementation of the Corporate Plan to build the corporate capacity necessary to deliver on City Council's directions and the goals of the community. Focusing on customer service and community engagement, the plan positions the City to provide relevant services to its residents. To reflect the fiscal environment of 2011, staff were challenged to find cost savings and maximize the value of every tax dollar spent.

An integrated human resource/payroll system was implemented to enhance financial reporting and a framework created for supplier performance management.

The first phase of a customer feedback system was implemented in 2011. Customer feedback card stations are positioned throughout City Hall and available online to provide information to staff so a problem can be solved or services improved.

Communications

The City launched an email subscription service and City Views e-bulletin, a complement to the annual publication, which was mailed to more than 40,000 homes with the annual municipal tax notices. More than 500 electronic bulletins on City projects, Council initiatives and business and career opportunities were issued to the 3,900 subscribers. Citizens were also kept informed through the City's webpage, kelowna.ca, which saw more than 1.4 million visits, and local media, which reported on more than 390 news releases.

A primary newspaper advertising contract was awarded which reduced print advertising costs by 70 per cent and provides staff more flexibility with advertising budgets. Public consultation remained a cornerstone of the City's community relations efforts and strategic planning supported environmental initiatives and public outreach.



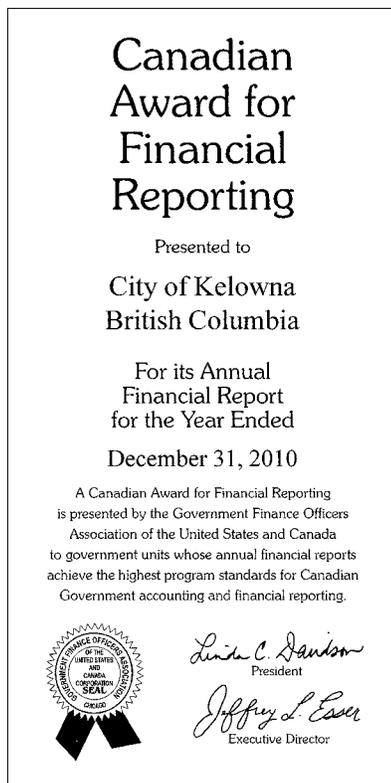
Sound fiscal management

Financial Services

The City is committed to sound fiscal management and the delivery of services at the lowest long term cost to the taxpayer. In 2011, this commitment to excellence was once again recognized by the Government Finance Officers Association. The City was awarded, for the tenth year, the Distinguished Budget Presentation Award and for the ninth year the Canadian Award for Financial Reporting.

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, 2010. 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.



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.

Provision of Services & Support for Growth

The 2011 taxation increase averaged 2.5 per cent for all property classes, an increase to reflect the economic conditions both locally and globally but still support the current level of services delivered to the citizens of Kelowna. 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 growth within the municipality.

The City budgeted to collect a total of \$189 million in taxation revenue, 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 2011, 3.9 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. Annual debt repayment costs are anticipated to increase above six cents over the next five years based on the



10-Year Capital Plan. Pay-as-you-go capital project funding represented 17 per cent of the 2011 taxation requirement, similar to the 2010 level.

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.

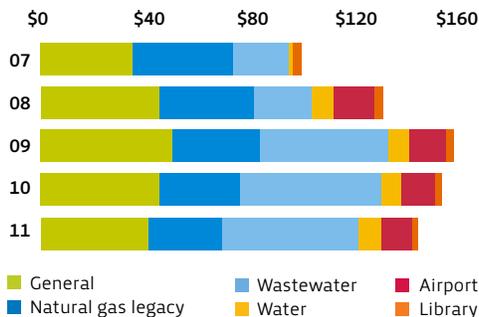
Consolidated Reserves & Surplus

millions



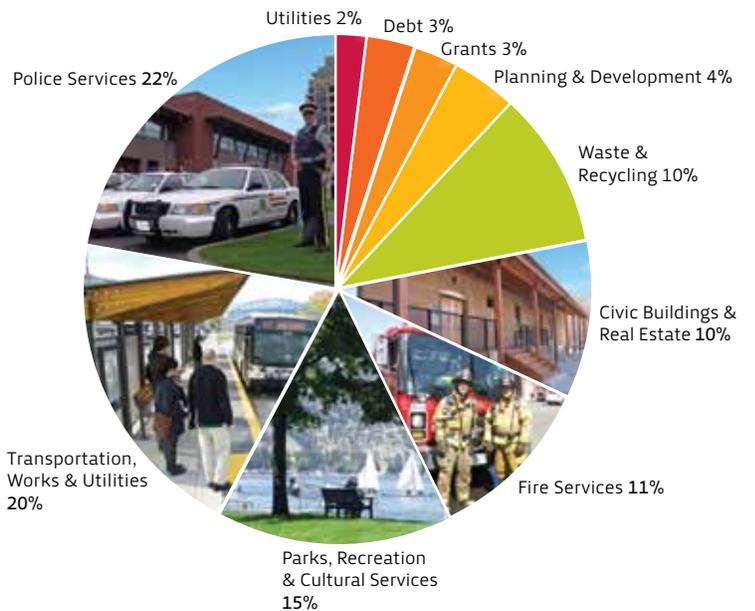
Long Term Debt

millions



Source: City of Kelowna, Financial Services

Breakdown of Municipal Tax 2011



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 161,701 by the end of 2030. The 20-Year Servicing Plan and Financing Strategy provides the infrastructure requirements to 2030 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 2030 Official Community Plan was prepared and approved in 2011. The latest update to the Official Community Plan impacted DCC rates with the changes taking effect in June, 2011. With this new plan the total cost of the program is \$709 million. Approximately 56% or \$400 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 2011, a deficit in Water Sector D reserve fund was covered from Water Sector A and a deficit in Sewer Sector A was covered from Sewer Sector B.

Municipal Assist Factor

The Local Government Act requires local governments to assist in the cost of new infrastructure. The municipal

assist factor reflects Council and the community's support 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 2011

Parks

\$2.9 million – Dehart Road Park, Casorso Road, Glenmore Recreation Park

Roads

\$5.9 million - Gordon, Chute Lake and Lakeshore Roads, Highway 33, along with debt repayment

Wastewater Treatment

\$0.4 million - debt repayment

Wastewater Trunks

\$1.1 million – Byrns / Baron and debt repayment

Water

\$0.6 million – Cedar Creek Pumpstation

Future Plans

For 2012, DCC expenditures include \$2.5 million for Highway 33, \$1.4 million for Lakeshore Road, \$1.4 million for debt payments and \$0.9 million for Pandosy Street. The Parks program includes \$4.9 million for potential parkland acquisitions and \$2.5 million for property debt payments. For the Wastewater Utility there is \$5.4 million for debt payments, \$0.5 million for Lakeshore Wastewater Trunk and \$0.8 million for the Treatment Plant. The Water DCC program includes \$3.4 million for Royal View water main, \$3.3 million for the Cedar Creek pump station and \$0.5 million for the Stellar Booster Station.

Development Cost Charges Reserve Fund

thousands of dollars

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance	Reductions/Waivers*
Parks	\$ 5,543	\$ 817	\$ 139	\$ 2,924	\$ 3,575	\$ 161
Roads	16,107	2,687	436	5,876	13,354	147
Drainage	3,336	-	110	-	3,446	-
Water	11,258	254	352	595	11,269	18
Wastewater	6,890	1,335	283	1,523	6,985	77
	\$ 43,134	\$ 5,093	\$ 1,320	\$ 10,918	\$ 38,629	\$ 403*

*Waivers are for affordable rental housing and are paid for through taxation.

Source: City of Kelowna Financial Services

Financial Management Strategies

There are various strategies adopted by Council that guide the City of Kelowna in managing a vibrant and sustainable community. These strategies were updated in 2003 and are included in the City's ten-year plans.

Capital Pay-As-You-Go Strategy

Half of new construction taxation revenue each year is to be allocated to capital, increasing the percentage of capital to municipal taxation to a maximum of 30 per cent.

Civic Buildings Strategy

Buildings will be planned and constructed as required, subject to funding availability, with a focus on public-private partnerships in the development of these future civic buildings.

Debt Management Strategy

The existing strategy of using alternative funding for discretionary expenditures, capitalizing on debt reduction opportunities and using short term borrowing and agreements for sale has been maintained. Maximum debt servicing should not exceed five per cent of annual taxation demand.

Generation/Disposition of Surplus Strategy

One million dollars is to be allocated to reserves each year from annual surplus in order to mitigate the need for abnormal tax increases or incurring of new debt and to provide for capital expenditure opportunities which might otherwise require an alternative approval and/or referendum process.

Investment and Cash Strategy

The City will maintain sufficient short term liquid assets to enable it to meet its annual operating budget as required. Due to the uncertain nature of future expenses, the portfolio will focus on high quality, liquid securities.

Major Recreational Facilities Strategy

Major recreational/cultural facilities are budgeted with substantial emphasis on funding from private-public partnerships, public sector partnering and other contributions. Pay-as-you-go capital and reserve funding will be required to minimize long-term debt financing.

Park Acquisition Strategy

This plan provides for the parkland acquisition standard of 2.2 hectares per thousand of population and the acquisition of natural space by means other than cash outlay.

Parks Development Strategy

Parks development costs will be a function of the capital allocation deemed reasonable annually and are to be shared by the community rather than through increased development cost charge fees.

Pavement Management Strategy

Annual general revenue contributions are to increase from the baseline of \$1.9 million over the ten-year program.

Storm Drainage Retrofit Strategy

Annual general revenue contribution of \$1.6 million is provided to fund storm drainage retrofits over the ten-year plan.

Waterfront Amenities Strategy

An annual allocation is provided for some waterfront land acquisitions but the emphasis is on private enterprise or community contributions to develop other amenities.

Top 10 Principal Corporate Taxpayers

2011

Legal Name	Type of Property
1 Orchard Park Shopping Centre	Shopping Mall
2 Delta Hotels No. 48 Holdings Ltd.	Hotel & Convention Centre
3 Inland Natural Gas Co Ltd.	Gas Utility
4 FortisBC Inc.	Electrical Utility
5 McIntosh Properties Ltd.	Shopping Mall
6 4231 Investments Ltd.	Shopping Mall
7 Walmart Canada Corp.	Shopping Mall
8 Dilworth Shopping Centre	Shopping Mall
9 Victor Projects Ltd.	Developer
10 Tolko Industries Ltd.	Forest Products Industry

2010

Legal Name	Type of Property
1 Orchard Park Shopping Centre	Shopping Mall
2 Delta Hotels No. 48 Holdings Ltd.	Hotel and Convention Centre
3 Inland Natural Gas Co Ltd.	Gas Utility
4 McIntosh Properties Ltd.	Shopping Mall
5 FortisBC Inc.	Electrical Utility
6 4231 Investments Ltd.	Shopping Mall
7 Tolko Industries Ltd.	Forest Products Industry
8 Walmart Canada Corp.	Shopping Mall
9 Dilworth Shopping Centre	Shopping Mall
10 Victor Projects Ltd.	Developer

Source: City of Kelowna Financial Services

Permissive Tax Exemptions

Art Gallery, Museum, Heritage, Cultural Purpose

Central Okanagan Heritage Society	\$10,604
Centre culturel français de l'Okanagan	\$2,930
City of Kelowna Library Society	\$88,017
Kelowna Art Gallery	\$73,460
Kelowna Museums Society (Laurel Packinghouse)	\$24,115
Kelowna Visual & Performing Arts Centre Society	\$74,705
Oak Lodge Centre Ltd.	\$5,728
Okanagan Military Museum Society	\$3,300
Roman Catholic Bishop of Nelson Pandosy Mission	\$1,949

Athletic or Service Club

Arion Therapeutic Riding Association	\$5,158
Central Okanagan Land Trust	\$11,409
Central Okanagan Small Boat Association	\$23,504
German - Canadian Harmonie Club	\$7,720
Kelowna & District Fish & Game Club	\$8,154
Kelowna Badminton Club	\$5,816
Kelowna Curling Club	\$13,103
Kelowna Italian Club	\$2,882
Kelowna Lawn Bowling Club	\$7,532
Kelowna Major Men's' Fastball Association	\$15,203
Kelowna Minor Fastball Society	\$5,423
Kelowna Riding Club	\$4,687
Kelowna Yoga House Society	\$6,677
Nature Trust of BC	\$53,159
OK Gymnastic Centre	\$11,012
Okanagan Boys & Girls Clubs	\$76,916
Okanagan Mission Community Hall Association	\$3,868
Rutland Park Society	\$26,689
Scouts Canada	\$10,025

Charitable or Philanthropic

Adult Integrated Mental Health Services Society	\$2,702
Alzheimer Society of BC	\$3,526
BC Society for Prevention of Cruelty to Animals	\$7,417
BHF Building Healthy Families	\$1,427
Big Brothers Big Sisters of the Okanagan Society	\$4,345
Bridge Youth & Family Services Society	\$4,036
Bridges to New Life Society	\$3,232
Canadian Mental Health Association	\$5,737
Central Okanagan Child Development Association	\$16,898
Central Okanagan Emergency Shelter Society	\$3,086
Columbus Holding Society	\$8,305
Father DeLestre Columbus Society	\$4,104

John Howard Society	\$1,619
Kalano Club of Kelowna	\$3,456
Kelowna & District S.H.A.R.E. Society	\$9,925
Kelowna & District Safety Council Society	\$1,863
Kelowna & District Society for Community Living	\$8,384
Kelowna Centre for Positive Living Society	\$1,423
Kelowna Child Care Society	\$2,943
Kelowna Community Food Bank Society	\$11,945
Kelowna Community Music Society	\$3,291
Kelowna Community Resources & Crisis	\$3,441
Kelowna Gospel Mission Society	\$13,744
Kelowna Italian Club	\$2,882
Kelowna Sr. Citizens Society of BC	\$2,122
Kelowna(#26) Royal Canadian Legion	\$5,247
KGH - Rutland Auxiliary Thrift Shop	\$7,435
Ki-Low-Na Friendship Society	\$30,285
MADAY Society for Seniors	\$3,073
National Society of Hope	\$5,067
New Opportunities for Women (NOW)	
Canada Society	\$2,322
Okanagan Halfway House Society Inc	\$3,560
Okanagan Mental Health Services Society	\$2,937
Reach Out Youth Counseling & Services Society	\$3,910
Resurrection Recovery Resource Society Inc.	\$6,209
Salvation Army Community Resource Centre	\$16,472
Society of Housing Opportunities and	
Progressive Employment	\$1,775
Society of Vincent De Paul of Central Okanagan	\$3,249
Willow Park Mennonite Brethren Church	\$16,942

Housing Construction (Elderly Citizens) Act

Seventh Day Adventist Church	\$3,904
------------------------------	---------

Private Hospital Licensed Under Community Care Facility Act

Canadian Cancer Society	\$38,184
Crossroads Treatment Centre Society	\$15,990
Interior Health Authority	\$117,241

Public Worship-Church Hall

Kelowna Free Methodist Church	\$3,198
Christian Science Society of Kelowna	\$3,462
St. Michaels Anglican Church	\$1,039

Total value of municipal taxes exempted \$1,007,099

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Report from the Director, Financial Services

May 1, 2012

The Mayor and Council
City of Kelowna

Your Worship and Members of Council

I am pleased to submit the City of Kelowna's 2011 Annual Financial Report for the year ended December 31, 2011, as required by Sections 98 and 167 of the Community Charter. The report includes the Independent Auditors' Report, the 2011 audited financial statements and supplementary information for the City of Kelowna.

The financial statements for the year ended December 31, 2011 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 City strengthened its financial position in 2011 with accumulated surplus increasing by \$19 million to over \$1.6 billion. The General Fund ended the year with a \$402,000 surplus from operations which was 0.4 per cent of the 2011 taxation demand. Reserve balances also increased by \$3 million for the year. The tax increase of 2.5 per cent provided for existing service levels and the maintenance of a strong annual capital program.



The Annual Report provides an opportunity to communicate with stakeholders and other report users on the City's 2011 financial performance along with related information on projects and financial strategies. Continuing to focus on current economic conditions with a long term strategic planning view will align the financial capacity with community service requirements.

Respectfully submitted,

A handwritten signature in black ink that reads "K Grayston". The signature is fluid and cursive, with a long horizontal stroke at the end.

Keith Grayston, CGA
Director, Financial Services



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Independent Auditors' Report

To the Members of Council of the City of Kelowna

We have audited the accompanying consolidated financial statements of the City of Kelowna (the "City"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial liabilities and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Kelowna, BC
May 1, 2012

Grant Thornton LLP
Chartered Accountants

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Audit • Tax • Advisory

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Consolidated Statement of Financial Position

As at December 31, 2011 (in thousands of dollars)

	2011	2010
Financial Assets		
Cash and temporary investments (Note 3)	\$ 216,017	\$ 207,760
Accounts receivable (Note 3)	37,158	43,353
Accrued interest	412	408
Long term investments (Note 8)	6,000	6,000
Property held for resale	217	-
Other	35	-
	259,839	257,521
Financial Liabilities		
Accounts payable	44,886	41,506
Performance deposits	6,156	6,580
Deferred revenue	34,230	32,789
Deferred development cost charges (Note 3)	38,629	43,134
Long term debt	149,528	158,849
	273,429	282,858
Net Financial Liabilities	(13,590)	(25,337)
Non-Financial Assets		
Prepaid expenses	1,506	848
Inventory	1,725	1,386
Work in progress (Note 4)	120,824	137,980
Tangible capital assets (Note 4)	1,531,444	1,507,813
	1,655,499	1,648,027
Accumulated Surplus (Note 5)	\$ 1,641,909	\$ 1,622,690

Contingent liabilities and commitments (Notes 6 and 7)

See accompanying notes to the consolidated financial statements



Keith Grayston, CGA
Director, Financial Services



Walter Gray
Mayor, City of Kelowna

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2011 (in thousands of dollars)

	Budget 2011	Actual 2011	Actual 2010
Revenue			
Taxation	\$ 107,709	\$ 107,925	\$ 103,853
Fees and charges	124,098	130,423	126,266
Interest earned	4,152	5,854	4,673
DCC contributions	21,848	10,918	15,424
Contribution from other governments	24,336	19,842	33,556
Gain on disposal of tangible capital assets	-	479	-
Other capital contributions	678	4,387	2,641
	282,821	279,828	286,413
Expenses			
General government services	22,258	20,133	16,339
Protective services	42,214	43,578	39,579
Transportation services	35,625	36,837	34,414
Recreation and cultural services	31,442	29,532	30,368
Other services	18,520	16,375	16,857
Airport operations	9,601	9,357	8,628
Electrical utility	23,113	24,232	21,431
Wastewater utility	9,759	8,669	8,689
Water utility	5,804	5,423	4,859
Amortization on tangible capital assets	-	56,348	53,236
Loss on tangible capital asset disposal	-	-	1,104
Debt charges	11,035	10,125	9,899
	209,371	260,609	245,403
Excess Revenue Over Expenses	\$ 73,450	19,219	41,010
Accumulated Surplus, beginning of year		1,622,690	1,581,680
Accumulated Surplus, end of year		\$ 1,641,909	\$ 1,622,690

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Net Financial Liabilities

For the Year Ended December 31, 2011 (in thousands of dollars)

	Budget 2011	Actual 2011	Actual 2010
Excess Revenue Over Expenses	\$ 73,450	\$ 19,219	\$ 41,010
Amortization of tangible capital assets	-	56,348	53,236
Proceeds from disposal of tangible capital assets	-	3,102	9,899
(Gain) loss on disposal of tangible capital assets	-	(479)	1,104
Property held for resale	-	217	-
Acquisition of tangible capital assets	(156,174)	(65,663)	(100,109)
Change in inventory and prepaid expenses	-	(997)	587
Decrease (Increase) in Net Financial Liabilities	(82,724)	11,747	5,727
Net Financial Liabilities, beginning of year	(25,337)	(25,337)	(31,064)
Net Financial Liabilities, end of year	\$ (108,061)	\$ (13,590)	\$ (25,337)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2011 (in thousands of dollars)

	Actual 2011	Actual 2010
Net cash inflow (outflow) related to the following activities		
Operating		
Excess revenue over expenses	\$ 19,219	\$ 41,010
Adjustment for non-cash items		
Amortization of tangible capital assets	56,348	53,236
(Gain) loss on disposal of tangible assets	(479)	1,104
Other capital contributions	(2,938)	(2,337)
Developer contributions of tangible capital assets	(4,001)	(5,080)
Decrease (increase) in non-cash financial assets		
Accounts receivable	6,195	(10,400)
Property held for resale	-	810
Inventory and prepaid expenses	(997)	587
Other assets	(39)	(519)
Increase (decrease) in non-cash liabilities		
Accounts payable	3,380	(5,247)
Deferred development cost charges	(4,505)	(3,258)
Other liabilities	1,017	2,887
	73,200	72,793
Capital		
Acquisition of tangible capital assets	(61,662)	(95,029)
Proceeds from disposal of tangible capital assets	3,102	9,899
	(58,560)	(85,130)
Financing		
Issuance of long term debt	5,800	10,000
Repayment of long term debt	(12,183)	(12,333)
	(6,383)	(2,333)
Net increase (decrease) in cash and temporary investments	8,257	(14,670)
Cash and temporary investments, beginning of year	207,760	222,430
Cash and temporary investments, end of year	\$ 216,017	\$ 207,760
Supplemental cash flow information		
Interest paid	\$ 10,107	\$ 9,818
Non-cash capital activities		
Acquisition of tangible capital assets through developer contributions	\$ 4,001	\$ 5,080
Property held for resale transferred from tangible capital assets	\$ 217	\$ -

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

December 31, 2011 (All tabular amounts reported in thousands of dollars)

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 accordance with accounting standards recommended for local governments and prescribed 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, Development Cost Charges 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 is controlled by the City of Kelowna through its appointment of the members of the society. Accordingly, the consolidated financial statements include all the accounts of the society.

Accrual accounting

The accrual method for reporting revenue and expenses 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.

Tangible capital assets

The City records tangible capital assets including assets held as work in progress or capital lease at cost, in the period they were acquired or when the asset is put into use.

All tangible capital assets are valued at cost which includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset.

Assets owned by the City but not paid for by the City including contributions, dedications, gifts and donations, are valued at fair value at the date of contribution, dedication, gift or donation, where fair value is reasonably determinable.

The City has numerous works of art located throughout the City which are not reflected in these consolidated financial statements.

Amortization

The cost less residual value of the tangible capital assets is amortized on a straight-line basis over the useful lives of the asset as follows:

Asset Type	Useful Life Years
Parks infrastructure	
Playground equipment	15 - 20
Artificial turf field	10 - 12
Washrooms, concessions, picnic shelters	40 - 50
Outdoor pools, spray pools	50 - 60
Building structure	
Building improvements	
Exterior envelope	30 - 40
HVAC systems	10 - 12
Roofs	15 - 20
Electrical/plumbing/fire	15 - 20
Site works-asphalt, water & sewer lines, etc	10 - 100
Machinery & equipment	
General equipment	7 - 10
Grounds equipment and machinery	10 - 15
Heavy construction equipment	5 - 10
Vehicles	
Cars and light trucks	5 - 10
Fire trucks	15 - 20
IT infrastructure	
Hardware	4 - 5
Software	5 - 10
Telephone system	7 - 10
Infrastructure (dependent upon component and material)	
Electrical	20 - 25
Water	10 - 100
Wastewater	10 - 100
Drainage	10 - 100
Transportation	10 - 100

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Land and Work in Progress are not amortized.

Municipal Finance Authority cash deposits and demand notes

The City issues the majority of its debt instruments through the Municipal Finance Authority (MFA). 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. The Debt Reserve and Demand Note balances are as follows:

	2011	2010
Cash Deposits held by MFA	\$ 2,574	\$ 2,653
Demand Notes held by MFA	8,039	8,363
	\$ 10,613	\$ 11,016

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% 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 credit, liquidity, or market 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-optional 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 BC Assessment 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, airport, electrical, wastewater, water and natural gas are included in this category. These revenues are recorded on the accrual basis and recognized as earned which is usually when services are provided or facilities are utilized.



DCC contributions

DCCs are recognized as revenue during the period in which the related costs are incurred.

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 to be received can be made.

Investment income

The City's investments are disclosed in Note 3.

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 on 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.

Expenses

Expenses 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. Actual results could differ from the estimates. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets estimated useful life and related amortization, landfill post closure costs and settlement costs associated with outstanding legal actions.

2. Future Accounting Change**PS 3410 – Government transfers**

This section replaces the existing Section PS 3410 Government transfers. This section establishes standards for recognition, presentation and disclosure for government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section applies to fiscal years beginning on or after April 1, 2012, with early adoption permitted.

PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years

beginning on or after April 1, 2015, with early adoption permitted.

PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 Foreign currency translation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 Financial statement presentation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

3. Financial Assets and Liabilities**Cash and temporary investments**

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

Type of Investment	2011	2010
Cash	\$ 32,382	\$ 36,108
Municipal Finance Authority bond/intermediate funds	42,055	40,937
Provincial and bank issued accrual notes and debentures	111,425	110,715
Guaranteed investment certificates and deposit notes	30,155	20,000
Total cash and temporary investments	\$ 216,017	\$ 207,760

The temporary investments held are readily convertible to cash and are therefore included in Cash and temporary investments.

Accounts receivable

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

Type of Receivable	2011	2010
Property tax	\$ 6,541	\$ 6,383
Trade receivables	16,228	11,679
Due from federal government	2,606	8,603
Due from provincial government	2,167	5,010
Due from regional government	87	496
Utilities	7,099	6,722
Deferred development cost charges	2,430	4,460
Total accounts receivable	\$ 37,158	\$ 43,353

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, 2011 the balance outstanding was \$nil (2010 - \$nil).

Deferred Development Cost Charges (DCC)

The City collects development cost charges (DCC) 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. cause these funds are restricted in nature they are shown as a liability.

Deferred DCC by Type	2011	2010	Deferred DCC	2011	2010
Roads	\$ 13,354	\$ 16,107	Balance, beginning of year	\$ 43,134	\$ 46,392
Parks	3,575	5,543	Return on investments	1,320	1,152
Drainage	3,446	3,336	DCC collected in the year	5,093	11,014
Wastewater	6,985	6,890		6,413	12,166
Water	11,269	11,258	DCC contributions recognized as revenue	(10,918)	(15,424)
Total Deferred DCC	\$ 38,629	\$ 43,134	Balance, end of year	\$ 38,629	\$ 43,134

Debenture debt

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.15% to 10.07%. The weighted average rate for 2011 was 4.69% (2010 - 4.69%). Principal repayments for the next five years are as follows:

	2012	2013	2014	2015	2016
General Fund	\$ 2,531	\$ 2,531	\$ 2,531	\$ 2,514	\$ 2,514
Airport Fund	1,333	1,333	1,333	1,333	1,333
Wastewater Fund	4,703	4,703	4,703	4,297	4,256
Water Fund	355	333	378	423	423
Natural Gas Legacy Fund	1,699	1,699	1,699	1,699	1,699
Library Society	354	386	422	460	502
	\$ 10,975	\$ 10,985	\$ 11,066	\$ 10,726	\$ 10,727

Debt as a percentage of total expenditures

2011	57.38%
2010	64.66%
2009	68.61%
2008	60.77%

Short term debt

The short term debt with the Royal Bank of Canada was repaid in full in 2011.

Mortgage payable

The City has a mortgage of \$800,000 (2010 - \$1,600,000) with Mapleheath Ranch Ltd. which is to be repaid in 2012. The annual amount of principal repayment is \$800,000 per year. The mortgage does not bear interest and is secured by specific park land.

Other Payable

The BC Ministry of Transportation has agreed to allow the City to repay its share of the infrastructure for the Highway 33 reconstruction project over a three-year term. The City has repaid \$3 million in 2011 and an estimate of \$5.85 million remains to be paid in 2012 and 2013. This payable does not bear interest.

The City has a long term payable of \$2,971,000 (2010 - \$nil) with Risso Estates Ltd., which is to be repaid over the next two years. The annual amount of principal repayment is \$1,485,500 per year. The long term payable bears interest at Royal Bank prime rate and is secured by specific park land and is paid annually.

4. Tangible Capital Assets and Work in Progress

	2011 Work in Progress	2011 Tangible Capital Assets (NBV)	2010 Work In Progress	2010 Tangible Capital Assets (NBV)
Land	\$ 99	\$ 158,786	\$ 2,247	\$ 145,955
Land Improvements	1,806	31,690	1,543	32,340
Buildings	12,217	163,258	9,908	166,041
Infrastructure	104,983	1,097,997	121,915	1,082,542
Machinery and Equipment	1,719	40,514	2,367	40,136
Natural Gas System (Capital Lease)	-	39,199	-	40,799
	\$ 120,824	\$ 1,531,444	\$ 137,980	\$ 1,507,813

Schedule 1 provides a break down of tangible capital assets and work in progress by function showing the cost, accumulated amortization and net book value of the tangible capital assets.

5. Accumulated Surplus

	Reserves for Future Expenditures	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2011	Total 2010
Accumulated surplus, beginning of year	\$ 81,278	\$ 39,864	\$ 19,120	\$ 1,482,428	\$ 1,622,690	\$ 1,581,680
Excess of revenue over expenses	107	1,346	62,148	(44,382)	19,219	41,010
Transfers	(5,305)	6,740	(1,435)	-	-	-
Acquisition of tangible capital assets	-	-	(44,930)	44,930	-	-
Repayment of long term debt	-	-	(12,183)	12,183	-	-
Accumulated surplus, end of year	\$ 76,080	\$ 47,950	\$ 22,720	\$ 1,495,159	\$ 1,641,909	\$ 1,622,690

Accumulated Surplus detail as follows:

	Balances, Beginning of Year	Transfer From	Transfer To	Interest and other	Balances, End of Year
Non-Statutory Reserves					
General Fund Reserve	\$ 34,023	\$ 9,722	\$ 13,249	\$ (186)	\$ 37,364
Airport Fund Reserve	23,220	12,254	10,084	229	21,279
Electrical Fund Reserve	5,651	3,208	1,068	12	3,523
Wastewater Fund Reserve	14,310	7,244	1,420	18	8,504
Water Fund Reserve	4,074	339	1,641	34	5,410
	81,278	32,767	27,462	107	76,080
Statutory Reserves					
Parking Reserve	1,152	485	674	37	1,378
Land Reserve	7,630	566	2,141	272	9,477
Capital Works, Machinery & Equipment Reserve	31,082	7,326	12,302	1,037	37,095
	39,864	8,377	15,117	1,346	47,950
Surplus by Fund					
General Fund Surplus	1,696	46,739	14,527	32,215	1,699
Airport Fund Surplus	165	10,400	1,439	9,067	271
Electrical Fund Surplus	3,939	5,588	64	5,588	4,003
Wastewater Fund Surplus	7,465	14,843	7,580	10,143	10,345
Water Fund Surplus	1,319	3,303	760	2,714	1,490
Natural Gas Legacy Fund Surplus	4,370	3,818	2,097	2,097	4,746
Library Surplus	166	324	-	324	166
Accumulated Surplus	19,120	85,015	26,467	62,148	22,720
Investment in Non Financial Assets					
Investment in tangible capital assets	1,482,428	57,681	114,794	(44,382)	1,495,159
Accumulated surplus	\$ 1,622,690	\$ 183,840	\$ 183,840	\$ 19,219	\$ 1,641,909

6. Contingent Liabilities**Regional District of 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 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 Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

The latest valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 billion for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The City of Kelowna paid \$4.7 million (2010 - \$4.4 million) for employer contributions while employee contributions were \$3.9 million (2010 - \$3.6 million) to the plan in fiscal 2011.

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.

Royal Canadian Mounted Police contract

The City of Kelowna does not accrue expenses for banked time earned by RCMP members during their term of service as under the terms of the contract the City is only billed for actual costs. The City recognizes the expense for banked time when the event obligates the City to pay.

The Federal Government and the Royal Canadian Mounted Police are currently disputing a retroactive wage increase to the members dating back to 2009. While the outcome of the dispute is unknown at this time, under the terms of the contract the City of Kelowna may be required to pay the retroactive increase, estimated to be approximately \$1 million, to the members should the ruling be upheld. The City will recognize the expense for any retroactive wages it is obligated to pay when the dispute is resolved.

7. 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, 2011 which have not been recorded in the accounts. Due to the reporting capabilities in the Agresso financial system 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 \$3.5 million (2010 - \$3.5 million) represents the portion of the estimated total expenditure recognized as at December 31, 2011. 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 17.8 million tonnes, which is 93% of the site's total capacity. The future cash flows for closure and post-closure cost is estimated at \$11.9 million as at December 31, 2011. The landfill site is expected to reach its capacity in 2075.

Kelowna Family Y 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, 2011 the outstanding loan balance was \$768,750 (2010 - \$ 843,750).

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 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 2011 represented year 12 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:

2005	Year 6	\$13.2 million
2010	Year 11	\$11.9 million
2015	Year 16	\$10.4 million
2020	Year 21	\$6.7 million
2025	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 either of the lump sum payment of \$13.2 or \$11.9 million otherwise due to RG Arenas (Kelowna) Ltd. in Years 6 or 11.

Royal Canadian Mounted Police Services

The Province of British Columbia and the Federal Government have an agreement with the Royal Canadian Mounted Police to provide police services for various municipalities in the Province. This agreement had a 20-year term expiring on March 31, 2012. A new 20-year contract has been agreed to by all parties as of March 21, 2012.

8. Long-Term 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 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 7.

9. 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 \$22.8 million (2010 - \$27.4 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 \$22.8 million, the City is holding irrevocable Letters of Credit in the amount of \$2.4 million (2010 - \$4.5 million) which are received from developers to ensure payment of development cost charges in future years.

10. Capital Lease Payable

The City has entered into an agreement with FortisBC Energy Inc. ("Fortis") 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 Fortis 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 \$2.4 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Fortis approved pre-tax weighted average cost of capital of 10.072%.



Operating lease

The City also entered into a 17-year operating lease with Fortis on November 1, 2001 whereby the City leases back to Fortis the operations of the gas distribution system. Under the operating lease Fortis 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 Fortis 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:

2007	\$5.2 million
2008	\$5.1 million
2009	\$4.9 million
2010	\$5.0 million
2011	\$4.8 million

11. 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, 2011 the mortgage balance was \$2.3 million (2010 - \$2.6 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.

12. 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, 2011 the Trust Fund balance is \$2.0 million (2010 - \$1.8 million).

13. Segmented Information

The City of Kelowna provides a multitude of services to the citizens of Kelowna. The City's operations and activities are organized and reported by funds and departments. The General Fund reports on operations, funded primarily by property taxes, which include services provided by the City such as general government, protective services, transportation services, recreation and cultural services, as well as public health, and environmental and development services. The City also operates its own airport and City utilities comprised of the electrical, wastewater and water systems that are self-sustaining operations. Operating results reported by the following segments are included in Schedule 2.

General Government

General Government operations are primarily funded by property taxation and business tax revenues. The expenses within the department are for executive and legislative costs, general administration, and other general government areas such as community service grants and rental property operating costs within the municipality. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and senior government payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the General Fund.

Protective Services

Protective services are comprised of police services provided by the Royal Canadian Mounted Police, fire protection services, building inspection services and bylaw enforcement as well as the Provincial Emergency Program.

Police services include administration, crime investigation and prevention, traffic, prisoner custody and court liaison expenses.

The fire department is responsible for effective fire protection and public safety services to the City. This includes fire suppression and rescue, prevention and investigation, specialty rescue/first medical responses and fire safety inspections.

Costs for maintenance and repair of police and fire buildings are included in this section.

Transportation Services

Transportation services are responsible for the delivery of municipal public works services related to the planning, development and maintenance of streets and roads, bridges, drainage systems, street lights, traffic lights and signals, parking lots and on-street parking, and public transit as well as maintenance of workshops, yards and other buildings. The mandate is to provide a safe, efficient, environmentally-sensitive and cost-effective transportation network.

Recreation & Cultural Services

Recreation and cultural services provide services related to recreation, leisure and culture including administration and program costs as well as grounds and building maintenance. Facilities managed within this area include parks and playgrounds, arenas, swimming pools, beaches, boat launches, stadiums as well as community and seniors centers. The H₂O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Art Gallery and the Rotary Centre for the Arts are some of the larger facilities included.

Other Services**(Public Health/Environmental/Development Services)**

Public health services are comprised of cemetery operations and maintenance, environmental and development services including community planning and zoning as well as landfill operations.

Airport Services

The Airport, owned and operated by the City of Kelowna, provides quality airport services in a safe and cost effective manner in compliance with Federal regulations. The Airport is accounted for in its own fund.

Electrical Services

The Electrical Division oversees the delivery of reliable and safe electricity within the City's electrical utility boundary. FortisBC supplies power to the electric utility. FortisBC provides all network operations for the distribution system including maintenance, capital project planning, management and construction and electric meter management. The Electrical Utility is accounted for in its own fund.

Wastewater Services

Kelowna's wastewater system collects, conveys, treats and disposes of domestic wastewater (derived from the home) and industrial wastewater (resulting from business use, manufacturing and processing). The system currently services approximately 70 per cent of Kelowna's population and continues to be extended to unserved areas. Kelowna's wastewater system has a treatment capacity of 72 million liters per day. The Wastewater Utility is accounted for in its own fund.

Water Services

The Water Utility is responsible for planning, designing, building, operating and maintaining the City's Water Utility and is one of five water suppliers operating within Kelowna's boundaries. The Water Utility is accounted for in its own fund.

Natural Gas Legacy Services

Natural Gas Legacy Fund was created from an agreement with FortisBC Energy Inc. for a 35-year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease whereby the City leases back to FortisBC Energy Inc. the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund.

Library Services

The City of Kelowna Library Society is a non-profit society instituted and controlled by the City of Kelowna. The Society was incorporated for the purpose of establishing, operating, and maintaining libraries and library services for the benefit of the City of Kelowna and its citizens.

Statutory Reserves

Statutory Reserves include funds for parking, land and capital works, machinery and equipment.

14. Expenses by Object

Total consolidated expenses by object are itemized in Schedule 2 - Segmented Information.

15. Budget Data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year and are not subject to audit. Subsequent amendments have been made by Council to reflect changes in the budget as required by law. Amortization of tangible capital assets was not included in the budget. The table below shows the reconciliation between the approved budget and the budget presented in these consolidated financial statements.

	Budget Amount
Revenue	
Operating budget	\$ 246,603
Capital budget	36,218
	282,821
Expenses	
Operating budget	209,371
Capital budget	156,174
	365,545
Annual deficit per approved budget	(82,724)
Tangible capital asset purchases	156,174
Annual surplus per statement of operations	\$ 73,450

16. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the presentation format adopted in the current year.

Schedule 1 - Tangible Capital Assets

For the Year Ended December 31, 2011 (in thousands of dollars)

	Machinery & Equipment							Subtotal Machinery & Equipment
	Land	Land Improvements	Buildings	Vehicles	Other Machinery & Equipment	Computer	Misc	
Cost								
Balance, beginning of year	\$ 145,955	\$ 52,679	\$ 252,655	\$ 22,332	\$ 42,419	\$ 10,054	\$ 3,268	\$ 78,073
Add: additions during the year	14,061	1,459	6,953	1,771	1,718	2,112	501	6,102
Less: capital held for resale	(218)	-	-	-	-	-	-	-
Less: disposals during the year	(1,012)	-	(2,012)	(276)	(52)	-	-	(328)
Balance, end of year	158,786	54,138	257,596	23,827	44,085	12,166	3,769	83,847
Accumulated amortization								
Balance, beginning of year	-	20,340	86,614	9,146	21,254	6,880	656	37,936
Add: amortization	-	2,108	8,207	1,883	2,664	958	138	5,643
Less: accumulated amortization on disposals	-	-	(483)	(218)	(28)	-	-	(246)
Balance, end of year	-	22,448	94,338	10,811	23,890	7,838	794	43,333
Net book value of tangible capital assets								
	\$ 158,786	\$ 31,690	\$ 163,258	\$ 13,016	\$ 20,195	\$ 4,328	\$ 2,975	\$ 40,514
Work in progress	\$ 99	\$ 1,806	\$ 12,217	\$ -	\$ 290	\$ 9	\$ 1,420	\$ 1,719

Infrastructure								
Plant & Facilities	Roads, Lanes Sidewalks & Bike Paths	Bridges Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure	Natural Gas Capital Lease	Total 2011	Total 2010
\$ 89,140	\$ 416,588	\$ 22,439	\$ 1,041,424	\$ 30,370	\$ 1,599,961	\$ 55,609	\$ 2,184,932	\$ 2,122,501
9,345	27,393	6,204	10,160	1,143	54,245	-	82,820	74,258
-	-	-	-	-	-	-	(218)	-
-	-	-	-	-	-	-	(3,352)	(11,827)
98,485	443,981	28,643	1,051,584	31,513	1,654,206	55,609	2,264,182	2,184,932
36,904	162,714	5,385	297,679	14,737	517,419	14,810	677,119	624,707
2,957	17,110	445	16,763	1,515	38,790	1,600	56,348	53,236
-	-	-	-	-	-	-	(729)	(824)
39,861	179,824	5,830	314,442	16,252	556,209	16,410	732,738	677,119
\$ 58,624	\$ 264,157	\$ 22,813	\$ 737,142	\$ 15,261	\$ 1,097,997	\$ 39,199	\$ 1,531,444	\$ 1,507,813
\$ 61,316	\$ 31,511	\$ 1,360	\$ 6,253	\$ 4,543	\$ 104,983	\$ -	\$ 120,824	\$ 137,980
							\$ 1,652,268	\$ 1,645,793

Schedule 2 - Segmented Information

For the Year Ended December 31, 2011 (in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services
Revenue						
Taxation	\$ 104,415	\$ -	\$ 149	\$ -	\$ -	\$ -
Fees and charges	23,038	378	11,877	4,294	13,443	18,787
Interest earned	3,818	-	-	-	-	236
DCC contribution	-	-	5,876	2,924	7	-
Contribution from other governments	6,575	3,596	7,219	266	1,347	409
Other capital contributions	1,555	-	-	-	-	108
Gain on disposal of tangible capital assets	754	-	(110)	(164)	-	(1)
	140,155	3,974	25,011	7,320	14,797	19,539
Expenses						
Salaries and benefits	14,284	21,126	7,986	8,659	5,135	3,179
Contract and professional services	3,385	1,752	19,300	7,274	6,705	373
RCMP contract	-	20,060	-	-	-	357
Materials and supplies	5,778	1,259	6,477	9,546	1,499	4,488
Equipment	235	328	2,362	1,425	1,786	10
Allocations	(4,574)	-	(240)	(118)	(725)	907
Cost recoveries	539	(1,434)	(370)	(252)	(6)	(507)
Grants and external transfers	343	114	50	1,264	1,602	-
Utilities	143	373	1,272	1,734	125	550
Amortization of tangible capital assets	1,277	897	25,088	7,888	1,206	4,142
Loss on disposal of tangible capital assets	-	-	-	-	-	-
Total before debt	21,410	44,475	61,925	37,420	17,327	13,499
Debt interest and fiscal services	2,663	-	-	-	-	744
Total operating expenses	24,073	44,475	61,925	37,420	17,327	14,243
Excess (deficiency) revenue over expenses	\$ 116,082	\$ (40,501)	\$ (36,914)	\$ (30,100)	\$ (2,530)	\$ 5,296

Electrical Services	Wastewater Services	Water Services	Natural Gas Legacy Services	Library Services	Statutory Reserves	2011
\$ -	\$ 1,973	\$ 1,388	\$ -	\$ -	\$ -	\$ 107,925
31,809	13,822	7,160	4,993	793	29	130,423
142	263	78	-	-	1,317	5,854
-	1,516	595	-	-	-	10,918
-	400	30	-	-	-	19,842
54	1,013	408	1,249	-	-	4,387
-	-	-	-	-	-	479
32,005	18,987	9,659	6,242	793	1,346	279,828
70	2,631	1,962	-	21	-	65,053
1,720	444	540	-	142	-	41,635
-	-	-	-	-	-	20,417
21,032	1,123	1,086	-	18	-	52,306
-	565	385	-	-	-	7,096
1,407	2,724	654	-	-	-	35
-	(6)	(19)	-	-	-	(2,055)
-	-	-	-	-	-	3,373
3	1,188	815	-	73	-	6,276
1,118	8,496	4,464	1,600	172	-	56,348
-	-	-	-	-	-	-
25,350	17,165	9,887	1,600	426	-	250,484
-	3,113	494	2,896	215	-	10,125
25,350	20,278	10,381	4,496	641	-	260,609
\$ 6,655	\$ (1,291)	\$ (722)	\$ 1,746	\$ 152	\$ 1,346	\$ 19,219

Schedule 2 - Segmented Information

For the Year Ended December 31, 2010 (in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services
Revenue						
Taxation	\$ 100,749	\$ -	\$ 154	\$ -	\$ -	\$ -
Fees and charges	26,338	366	10,849	3,951	14,042	17,349
Interest earned	3,281	-	-	-	-	135
DCC contribution	-	-	6,901	1,982	1,433	-
Contribution from other governments	9,931	3,700	14,842	4,270	-	396
Other capital contributions	391	-	-	-	-	53
	140,690	4,066	32,746	10,203	15,475	17,933
Expenses						
Salaries and benefits	12,920	20,097	7,887	8,675	4,777	3,088
Contract and professional services	2,402	1,790	18,621	7,908	6,215	341
RCMP contract	-	17,019	-	-	-	220
Materials and supplies	5,047	1,263	5,271	10,023	1,630	4,089
Equipment	134	322	2,366	1,546	2,232	16
Allocations	(4,360)	-	(500)	(118)	(304)	765
Cost recoveries	(317)	(1,372)	(592)	(670)	(14)	(404)
Grants and external transfers	374	106	234	1,375	2,009	-
Utilities	137	355	1,128	1,628	98	513
Amortization of tangible capital assets	1,199	859	23,181	7,634	1,040	3,542
Loss on disposal of tangible capital assets	1,104	-	-	-	-	-
Total before debt	18,640	40,439	57,596	38,001	17,683	12,170
Debt interest and fiscal services	2,638	-	-	-	-	744
Total operating expenses	21,278	40,439	57,596	38,001	17,683	12,914
Excess (deficiency) revenue over expenses	\$ 119,412	\$ (36,373)	\$ (24,850)	\$ (27,798)	\$ (2,208)	\$ 5,019

Electrical Services	Wastewater Services	Water Services	Natural Gas Legacy Services	Library Services	Statutory Reserves	2010
\$ -	\$ 1,573	\$ 1,377	\$ -	\$ -	\$ -	\$ 103,853
27,691	13,416	6,312	5,077	755	120	126,266
37	183	51	-	-	986	4,673
-	4,932	176	-	-	-	15,424
-	404	13	-	-	-	33,556
-	689	434	1,074	-	-	2,641
27,728	21,197	8,363	6,151	755	1,106	286,413
72	2,349	1,839	-	14	-	61,718
1,827	505	767	-	106	-	40,482
-	-	-	-	-	-	17,239
18,420	887	1,044	-	20	-	47,694
2	519	430	-	2	-	7,569
1,134	3,346	58	-	-	-	21
(26)	(68)	(40)	-	-	-	(3,503)
-	-	-	-	-	-	4,098
2	1,151	761	-	73	-	5,846
1,130	8,456	4,413	1,600	182	-	53,236
-	-	-	-	-	-	1,104
22,561	17,145	9,272	1,600	397	-	235,504
-	2,805	566	2,901	245	-	9,899
22,561	19,950	9,838	4,501	642	-	245,403
\$ 5,167	\$ 1,247	\$ (1,475)	\$ 1,650	\$ 113	\$ 1,106	\$ 41,010

Schedule 3 - Long Term Debt

For the Year Ended December 31, 2011 (in thousands of dollars)

Long Term Debt - General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec 31, 2011	Sinking Fund Balance Dec 31, 2011	Amount of Issue	Current Interest Rate %
Public Works					
2019	South Pandosy Spec. Area 1	\$ 121	\$ 113	\$ 234	5.99
2019	South Pandosy Spec. Area 2	212	198	410	5.99
2019	Automated Curb Side Carts	3,993	817	4,810	4.13
2021	Downtown Parkade	1,206	994	2,200	4.43
2022	Chapman Parkade	2,714	1,357	4,071	5.37
2028	DCC Roads	7,696	2,704	10,400	5.15
Local Improvements					
2014	Local Improvements	124	443	567	5.00
2016	Local Improvements	136	257	393	4.00
2016	Local Improvements	93	176	269	4.43
2017	Local Improvements	22	32	54	4.82
2019	Local Improvements	36	33	69	3.15
Recreation & Cultural Services					
2021	Kokanee Gym Facility	310	190	500	5.69
2027	H ₂ O Centre	23,578	3,922	27,500	4.82
2027	Kokanee Gymnastic	686	114	800	4.82
2028	H ₂ O Centre	1,790	210	2,000	5.15
		42,717	11,560	54,277	
Other Debt					
Mortgage					
2012	Mortgage - Park Property	800		3,402	0.00
Total Debt General Fund		\$ 43,517	\$ 11,560	\$ 57,679	

Long Term Debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec 31, 2011	Sinking Fund Balance Dec 31, 2011	Amount of Issue	Current Interest Rate %
Specified Area Programs					
2015	Spec. Area 17 - Mission Flats	\$ 384	\$ 966	\$ 1,350	4.75
2018	Spec. Area 18 - Caramillo	63	72	135	4.65
2018	Spec. Area 19 - Poplar Point	36	41	77	4.65
2022	Spec. Area 22A - Gerstmar	26	13	39	6.06
2024	Spec. Area 21A - McKenzie Bench	1,018	332	1,350	4.98
2024	Spec. Area 22B - Vista Rd	60	19	79	4.98
2024	Spec. Area 22C - Hein Rd	201	65	266	4.98
2024	Spec. Area 22D - Elwyn Rd	112	37	149	4.98
2024	Spec. Area 22E - Dease Rd	72	24	96	4.98
2024	Spec. Area 22F - Mills Rd	258	84	342	4.98
2024	Spec. Area 29 - Campion Cambro	659	215	874	4.98
2024	Spec. Area 30 - Acland	275	89	364	4.98
2025	Spec. Area 20 - North Rutland	5,302	1,520	6,822	4.17
2025	Spec. Area 28A - Okaview	496	142	638	4.17
2028	Spec. Area 26 - Fisher Rd	1,809	212	2,021	5.15
2028	Spec. Area 34 - Country Rhodes	389	46	435	5.15
2028	Spec. Area 36 - Clifton	239	28	267	5.15
Wastewater Improvement Programs					
2014	Glenwood Wastewater Main Replacement	24	66	90	3.15
2014	Long St. Wastewater Main Replacement	17	47	64	3.15
2019	Byrns Baron Main	2,407	1,459	3,866	4.98
Wastewater Treatment Facility					
2014	Wastewater Treatment Plant Phase III	2,090	5,910	8,000	5.99
2019	Wastewater Treatment Expansion	16,602	3,398	20,000	4.90
2019	Wastewater Treatment Expansion	8,301	1,699	10,000	4.13
2020	Wastewater Treatment Expansion	9,167	833	10,000	4.00
2031	Brandt's Creek Tradewaste Treatment	3,800	-	3,800	4.00
Total Debt Wastewater Fund		\$ 53,807	\$ 17,317	\$ 71,124	

Long Term Debt - Water Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec 31, 2011	Sinking Fund Balance Dec 31, 2011	Amount of Issue	Current Interest Rate %
Specified Area Programs					
2023	Spec. Area 16 - Byrns	\$ 28	\$ 11	\$ 39	4.78
2024	Spec. Area 18 - Lakeshore	18	6	24	4.98
2028	Spec. Area 26 - Fisher Rd	266	31	297	5.15
Water Improvement Programs					
2012	Poplar Point	43	430	473	4.82
2028	Cedar Creek Pump Station	6,783	794	7,577	5.15
2031	Poplar Point Pump Station Upgrade	2,000	-	2,000	4.00
Total Debt Water Fund		\$ 9,138	\$ 1,272	\$ 10,410	

Long Term Debt - Airport Fund

Debenture Debt

2018	Airport Expansion	\$ 11,840	\$ 4,160	\$ 16,000	4.65
Total Debt Airport Fund		\$ 11,840	\$ 4,160	\$ 16,000	

Long Term Debt - Natural Gas Legacy Fund

Debenture Debt

2018	Leased Capital Assets	\$ 16,060	\$ 13,740	\$ 29,800	4.43
2018	Leased Capital Assets	10,509	8,991	19,500	4.43
		\$ 26,569	\$ 22,731	\$ 49,300	
Capital Lease Payable		2,354		2,396	10.072
Total Debt Natural Gas Legacy Fund		\$ 28,923		\$ 51,696	

Long Term Debt - Library

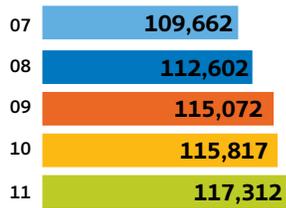
2017	Mortgage - Building	\$ 2,303		\$ 5,100	8.94
Total Debt Library Fund		\$ 2,303		\$ 5,100	

Grand Total Long Term Debt

\$ 149,528	\$ 57,040	\$ 212,009
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2007 to 2011 Statistical Review

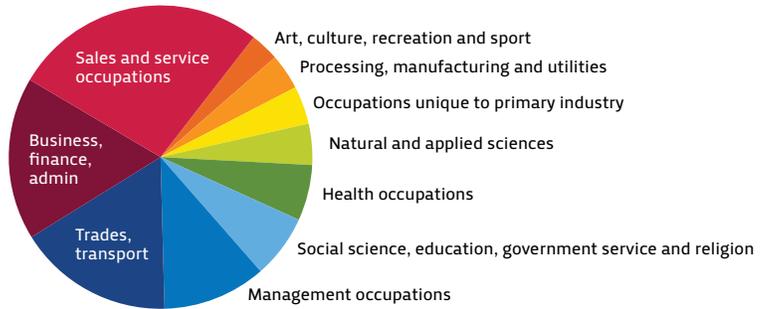
Population



Source: 2007-2010 estimates City of Kelowna Policy & Planning; 2011 Canada Census

Occupation

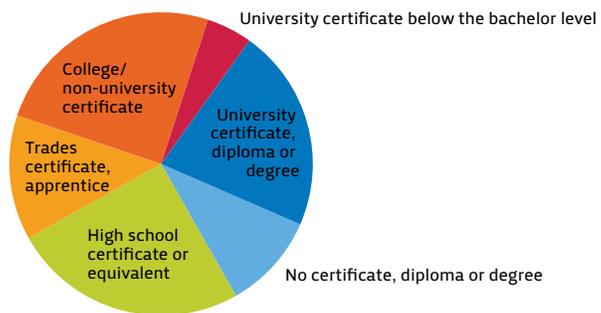
labour force 15 years and over



Source: 2006 Canada Census

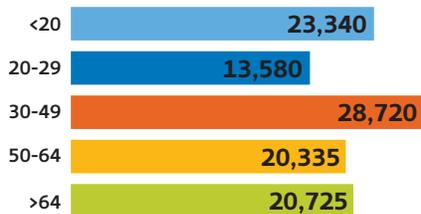
Education

population aged 25 - 64



Source: 2006 Canada Census

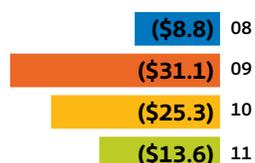
Age of Population



Source: 2006 Canada Census

Net Financial Liabilities

millions



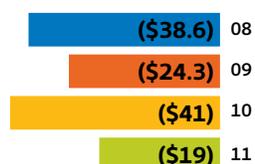
Accumulated Surplus

billions



Annual Surplus

millions



Consolidated Revenues

millions



Consolidated Expenses

millions



Consolidated Revenues by Type

millions

	2008	2009	2010	2011
Fees & charges	\$ 118.7	\$ 121.5	\$ 126.3	\$ 130.4
Taxation	\$ 94.8	\$ 100.6	\$ 103.9	\$ 107.9
Contributions from other governments	\$ 24.5	\$ 22.2	\$ 33.6	\$ 19.8
DCC contributions	\$ 14.3	\$ 12.2	\$ 15.4	\$ 10.9
Interest earned	\$ 7.2	\$ 4.1	\$ 4.7	\$ 5.9
Other	\$ 2.2	\$ 2.1	\$ 2.6	\$ 4.4
Gain on disposal of tangible capital assets	\$ -	\$ -	\$ -	\$ 0.5
Total	\$ 261.7	\$ 262.7	\$ 286.4	\$ 279.8

Source: City of Kelowna Financial Services

Consolidated Expenses by Function*millions*

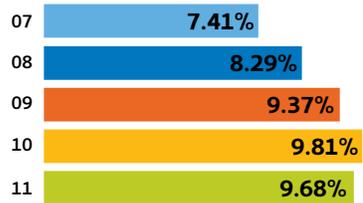
	2008	2009	2010	2011
Amortization on tangible capital assets	\$ 47.2	\$ 50.6	\$ 53.2	\$ 56.3
Protective services	\$ 37.8	\$ 40.1	\$ 39.6	\$ 43.6
Transportation services	\$ 32.5	\$ 32.4	\$ 34.4	\$ 36.8
Recreation & cultural services	\$ 29.0	\$ 29.8	\$ 30.4	\$ 29.5
Electrical utility	\$ 19.0	\$ 20.7	\$ 21.4	\$ 24.2
Other services	\$ 15.6	\$ 18.8	\$ 16.9	\$ 16.4
General government services	\$ 13.7	\$ 14.1	\$ 16.3	\$ 20.1
Airport operations	\$ 8.4	\$ 9.0	\$ 8.6	\$ 9.4
Debt charges	\$ 7.6	\$ 9.1	\$ 9.9	\$ 10.1
Wastewater utility	\$ 7.5	\$ 8.2	\$ 8.7	\$ 8.7
Water utility	\$ 4.8	\$ 5.3	\$ 4.9	\$ 5.4
Loss on tangible capital asset disposal	\$ -	\$ 0.1	\$ 1.1	\$ -
Total	\$ 223.1	\$ 238.3	\$ 245.4	\$ 260.6

Consolidated Expenses by Object*millions*

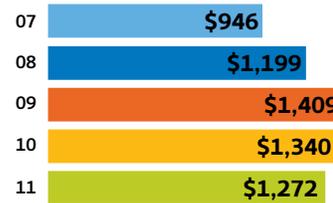
	2008	2009	2010	2011
Salaries & benefits	\$ 55.8	\$ 59.5	\$ 61.7	\$ 65.1
Amortization of tangible capital assets	\$ 47.2	\$ 50.6	\$ 53.2	\$ 56.3
Materials & supplies	\$ 44.0	\$ 44.2	\$ 47.7	\$ 52.3
Contract & professional services	\$ 39.8	\$ 44.2	\$ 40.5	\$ 41.6
RCMP contract	\$ 16.2	\$ 17.2	\$ 17.2	\$ 20.4
Debt interest & fiscal services	\$ 7.6	\$ 9.1	\$ 9.9	\$ 10.1
Equipment	\$ 5.8	\$ 6.3	\$ 7.6	\$ 7.1
Utilities	\$ 4.9	\$ 5.5	\$ 5.8	\$ 6.3
Grants and external transfers	\$ 3.0	\$ 3.3	\$ 4.1	\$ 3.4
Allocations	\$ 0.1	\$ (0.1)	\$ -	\$ -
Loss on disposal of tangible capital assets	\$ -	\$ 0.1	\$ 1.1	\$ -
Cost recoveries	\$ (1.3)	\$ (1.6)	\$ (3.5)	\$ (2.1)
Total	\$ 223.1	\$ 238.3	\$ 245.4	\$ 260.6

Source: City of Kelowna Financial Services

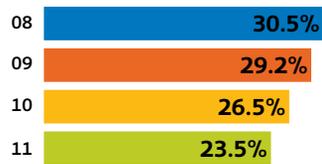
Consolidated Debt Charges as a Percentage of Taxation



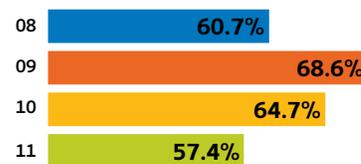
Consolidated Long Term Debt Per Capita



General Debenture Debt Charges as a Percentage of Total General Expenditures



Consolidated Debt as a Percentage of Total General Expenditures



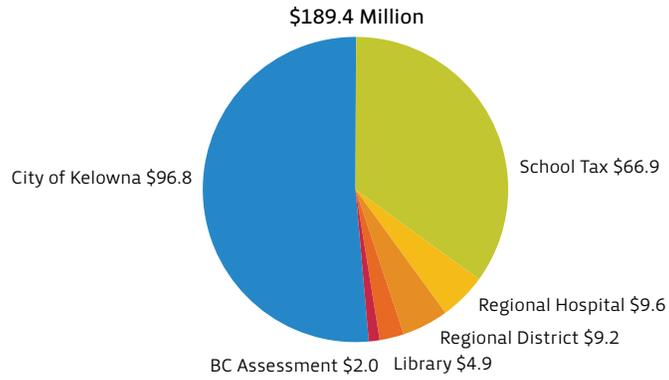
Assessment for General Taxation
billions



Taxation Demand
millions



Tax Collected
millions

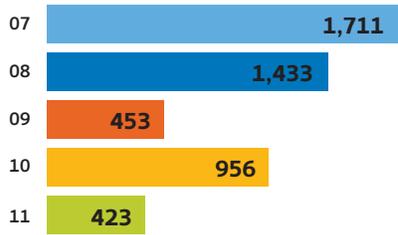


Other Levies
millions

	2007	2008	2009	2010	2011
School Tax	\$ 57.1	\$ 59.3	\$ 62.4	\$ 63.4	\$ 66.9
Regional Hospital	\$ 6.7	\$ 7.0	\$ 7.5	\$ 9.0	\$ 9.6
Regional District	\$ 8.1	\$ 8.1	\$ 8.6	\$ 8.9	\$ 9.2
BC Assessment	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.1	\$ 2.0

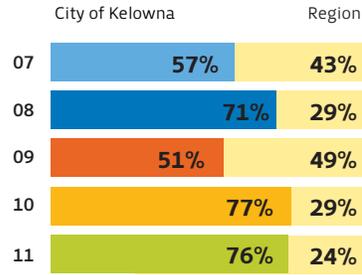
Source: City of Kelowna Financial Services

Housing Starts



Source: City of Kelowna Development Services

Regional Housing Starts



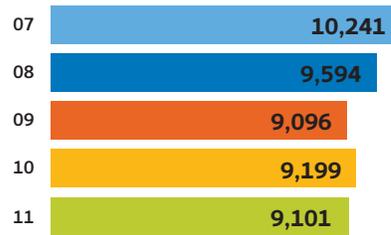
Source: City of Kelowna Policy & Planning

Value of New Developments *millions*



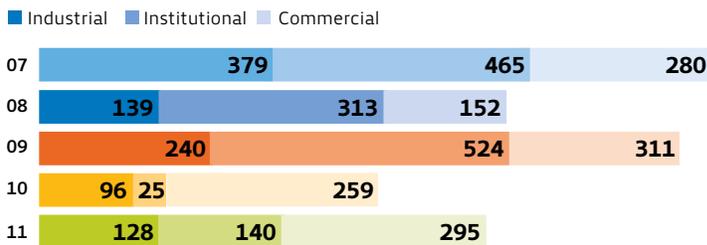
Source: City of Kelowna Development Services

Business Licences



Source: City of Kelowna Corporate Services

Development Floor Space *square footage (thousands)*



Source: City of Kelowna Development Services

Civic & Community Awards

- ▶ **Woman of the Year** Marie Ablett
- ▶ **Man of the Year** Paul Nesbitt
- ▶ **Anita Tozer Memorial Award** Dr. Barry Urness
- ▶ **Augie Ciancone Memorial Award** Justine Drosdovech & Mitchell Goodwin
- ▶ **Bob Giordano Memorial Award** Tony Sodaro
- ▶ **Bryan Couling Memorial Award**
Kelowna Senior Secondary School 4A Girls Volleyball Team
- ▶ **Female Athlete of the Year** Kelsey Serwa
- ▶ **Male Athlete of the Year** Keeper Joyce
- ▶ **Central Okanagan Foundation Volunteer Organization of the Year**
New Opportunities for Women (NOW) Canada Society
- ▶ **Corporate Community of the Year-Small to Medium Business**
The Women's Place Fitness Centre
- ▶ **Corporate Community of the Year-Large Business**
BMO Bank of Montreal
- ▶ **Honour in the Arts** Nathan Flavel
- ▶ **Teen Honour in the Arts** Hayley Manlove
- ▶ **Young Female Citizen of the Year** Tanveer Gill
- ▶ **Young Male Citizen of the Year** Terry Lee





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