

Memo



Date: April 29, 2021
Rim No. 0220-20
To: Audit Committee
From: City Manager
Subject: 2020 Surplus from Operations
Report Prepared by: Divisional Director Financial Services

Recommendation:

That the 2020 General Fund Surplus of \$8,955,028 generated from operating and capital programs be distributed as per the City Manager's memo of April 29, 2021.

Purpose:

To provide the Audit Committee with a recommendation for the allocation of the 2020 General Fund surplus for contribution to reserve and accumulated surplus.

Background:

The 2020 year-end surplus is \$8,955,028. This is the total surplus that was generated from all General Fund operations in 2020 with the major sources being: the reduction of \$5.1M to the capital program as part of the 2020 Final Budget to offset the anticipated reductions in transit and other programming revenue; police services department RCMP officer vacancies; and unexpected provincial grants received to assist with the financial impacts of the COVID 19 pandemic.

The following allocation of the 2020 surplus is recommended in order to supplement the City's capital program that was reduced in 2020 to help mitigate financial impacts of the COVID 19 pandemic; leverage grant funding awarded to the City; minimize risk where unanticipated circumstances may arise during the year; maintain acceptable average reserve levels; support Council priorities.

Community Safety	\$ 500,000	Reserve for community safety emergent and one-time funding. Potential needs: legal opinions; operational funding related to emergent encampments; protest and/or community unrest; and engagement.
Slope Stability	\$ 750,000	Kelowna has hillside topography and has experienced

		Increasing movement over the last few years increasing the need to have funding in place for emergent and one-time events.
Climate Action	\$ 500,000	To move forward climate related initiatives that are necessary to support this Council priority.
Major Recreation	\$ 2,000,000	To help fund, and reduce potential long term borrowing for the planned replacement of the Parkinson Recreation Facility.
Building Repair	\$ 950,000	The City's civic buildings are aging and a facility assessment currently underway has indicated a significant shortfall in the funding necessary to extend the service life of these buildings and/or eliminate emergent risks.
Major Systems	\$ 500,000	An outdated legacy system is planned for replacement with a modern financial budgeting, forecasting and data analytics software that will better service the corporation and our citizens.
Future Capital Projects	\$ 3,300,000	As part of the 2020 Final Budget, the capital program was reduced significantly to mitigate potential financial impacts of the COVID 19 pandemic. This funding will be used to restore funding for some of these projects and to provide for funding to be used to leverage grants awarded to the City.

The remaining balance of \$455,028 will flow to Accumulated Surplus. The Accumulated Surplus balance provides for a surplus level of approximately \$4.8M that is approximately 3% of the 2020 taxation requirement. This resulting accumulated surplus balance of \$4.8M meets acceptable risk level best practices that are in place to help mitigate extraordinary events should they occur.

The proposed year-end contributions to reserve and accumulated surplus adhere to the Principles & Strategies for Financial Strength & Stability as adopted by Council.

The Divisional Director, Financial Services will be pleased to discuss any of the information provided in this memorandum during the Audit Committee Meeting on April 29, 2021. If the Audit Committee agrees with this recommendation, it will then be forwarded to Council for their approval.

Submitted by:

A handwritten signature in black ink, appearing to read 'Doug Gilchrist', written over a horizontal line.

Doug Gilchrist
City Manager

cc: Controller,
Corporate Finance Manager,
Financial Planning Manager