

# Memo



Date: April 28, 2022  
Rim No. 0220-20  
To: Audit Committee  
From: City Manager  
Subject: 2021 Surplus from Operations  
Report Prepared by: Divisional Director Financial Services

---

## Recommendation:

That the 2021 General Fund Surplus of \$8,786,918 generated from operating and capital programs be distributed as per the City Manager's memo of April 28, 2022.

## Purpose:

To provide the Audit Committee with a recommendation for the allocation of the 2021 General Fund surplus for contribution to reserve and accumulated surplus.

## Background:

The 2021 year-end surplus is \$8,786,918. This is the total surplus that was generated from all General Fund operations in 2021 with the major sources being: development related revenues in excess of budget of \$5.5M and a surplus of \$1.3M related to Active Living and Culture due to fewer program offerings as a result of the COVID-19 pandemic and related provincial health mandates.

The following allocation of the 2021 surplus is recommended in order to minimize risk where unanticipated circumstances may arise during the year; maintain acceptable reserve levels; support Council priorities; and supplement the City's capital program that was reduced in 2020 to help mitigate financial impacts of the COVID 19 pandemic.

Community Safety	\$ 1,000,000	Reserve for community safety emergent and one-time funding. Potential needs: legal opinions; operational funding related to encampments and downtown cleanup; protest and/or community unrest; and engagement.
Climate Action	\$ 1,000,000	To move forward climate related initiatives that are necessary to support this Council priority.

Major Recreation	\$ 3,300,000	To help fund, and reduce potential long term borrowing related to the proposed Kelowna Community Campus.
Building Repair	\$ 600,000	The City's civic buildings are aging and facility assessments have indicated a 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Major Systems	\$ 500,000	An outdated legacy system is planned for replacement with a modern financial budgeting, forecasting and data analytics software that will better service the corporation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	\$ 500,000	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.
Land – Housing	\$ 1,000,000	To help fund purchases of land for the purposes of affordable housing.
Economic Impact Mitigation	\$ 800,000	The City is experiencing high levels of cost inflation. These funds will help to offset the impacts of this cost inflation.

The remaining balance of \$86,918 will flow to Accumulated Surplus. The Accumulated Surplus balance provides for a surplus level of approximately \$4.9M that is approximately 3% of the 2021 taxation requirement. This resulting accumulated surplus balance of \$4.9M 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 28, 2022. 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