

Report to Council



Date: February 13, 2023
To: Council
From: City Manager
Subject: 2023 Financial Health Dashboard
Department: Financial Services

Recommendation:

THAT Council receive, for information, the report from the Financial Services Department dated February 13, 2023, with respect to Financial Performance Measures and the development of the 2023 Financial Health Dashboard;

AND THAT Council direct staff to report quarterly on activity performance measures, and annually, as part of the Annual Financial Report, on long-term performance measures as outlined in the report from Financial Services dated February 13, 2023.

Purpose:

To showcase the city's new Financial Health Dashboard and to discuss new measures for the 2023 financial year.

Background:

Council adopted Principles and Strategies for Financial Strength and Stability, with an emphasis on strong financial stewardship, which is reflected in the Financial Services Division Strategic Plan. These Principles and Strategies are used to guide decision-making within the City and to help realize financial goals and, ultimately, the vision for Kelowna.

The Principles and Strategies guide the development of detailed policies and set boundaries for budgeting and planning decisions. Performance measures and Financial Reporting are the essential communication tools that tell Council and the public how the City is performing year to year, and how prepared the City is to meet future obligations.

The City also compares our performance to other municipalities and to the Okanagan region. These comparative figures are taken from provincially provided LGDE reports. The ratio analysis focuses on the 10 BC Municipalities with a population of greater than 100,000 (Abbotsford, Burnaby, Coquitlam,

Delta, Langley, North Vancouver, Richmond, Saanich, Surrey and Vancouver) and the Okanagan Region (Kamloops, Penticton, Vernon and West Kelowna).

Discussion:

The Financial Services Department is committed to continuous improvement. As we navigate economic changes and a new macro environment, staff are recommending changes to the suite of financial performance measures and the commencement of regular performance reporting throughout the fiscal year to improve governance and financial oversight.

The new suite of indicators being recommended, included in the table below, will better address key organizational risks in the current economic climate as well as financial constraints that are specific to the City and municipalities.

<p style="text-align: center;">Long-term (Measures financial trajectory over time)</p>	<p style="text-align: center;">Description of Measure</p>
<p>Financial Sustainability Ratios: Measures the ability of a Municipality to meet its existing financial obligations and maintain operations and services over the long term.</p>	
<p>Financial Assets to Liabilities</p>	<p>Measures liquidity and the City's ability to meet financial obligations.</p>
<p>Financial Assets to Total Revenues</p>	<p>Measures cash that can be used to fund current and future expenditures.</p>
<p>NEW: Total Reserves and Accumulated Surplus Balance to Total Expenses</p>	<p>Measures reserve balances as a percent of operating expenses. Reserves are monies set aside for planned future needs, to smooth expenses, or for unexpected costs. This metric indicates the amount of funds available that could be used to fund City operations.</p>
<p>NEW: Non-Taxation Revenue to Total Expenditures</p>	<p>Measures the percent of non-tax revenue is earned in relation to expenditures of the City. The inverse indicates the City's reliance on the annual tax levy revenue.</p>
<p>Financial Flexibility Ratios: Measure the degree to which a Municipality can change its financial structure while still meeting its existing financial obligations in the short term.</p>	
<p>Debt Service to Total Revenue</p>	<p>Measures the percentage of current revenues required to service debt incurred to fund past expenditures and the capacity for the City to incur additional debt.</p>
<p>Own Source Revenue to Total Revenue</p>	<p>Measures the extent to which own source revenues make up total revenues. This is a gauge for how much</p>

	flexibility the City has to deal with changing revenue sources.
Government Transfers to Total Revenue	Measures grant funding to total revenue. This metric can indicate a consistent level of grant funding and help guard against a dependence on these funds.
Competitiveness Ratios: Measures how well a Municipality fares financially on a per capita basis relative to similar municipalities and to the region.	
NEW: Tax Burden Per Capita	Measures property taxation revenue collected per City of Kelowna citizen.
NEW: Debt Level Per Capita	Measures how much debt the City of Kelowna has per citizen.
NEW: Annual Surplus Per Capita	Measures the City's annual surplus per citizen. This metric indicates opportunity to add service capacity within existing taxation levels.
Performance Ratios: Measures how well the Municipality aligns with Council approved plans.	
NEW: Actual Performance to Financial Plan Budget	This is a future measure. This will measure a financial plan's actual performance against the original plan budget. This will measure the accuracy of the City's long range financial plans.
NEW: DCC Reserve Balance to Planned Growth Infrastructure	As a rapidly growing City, maintaining requisite infrastructure expansion to meet these needs is critical. This measure reflects the City's status of "growth paying for growth".

In addition to these annual reporting changes, staff are also recommending that the following Activity Ratios be calculated and reported to Council on a quarterly basis:

NEW: Activity Ratios: Measures the City's financial performance in comparison to Council approved budgets.	
Actual Activity to Budget	Measures performance against original and amended net budget. This measure provides an indication of progress toward planned outcomes.
Revenue Earned to Budget	Measures revenue performance against original and amended budget. This metric allows

	management/Council to identify gaps or surpluses, and to adjust where required to reach financial goals.
Salary Expense to Budget	Measures salary performance, the City's largest expenditure, against original and amended budget. This measure highlights challenges with recruitment and may be a leading indicator of other upcoming challenges.
Capital Expenditure Burn Rate (Actual Activity to Budget by Cost Centre)	Measures the percent of annual capital budget being used and indicates the City's ability to deliver on its capital program.
Investment Income Revenue to Budget	As a rapidly growing city, investment income will continue to be a greater part of our annual budget. A more specific metric than Revenue Earned/Budget, this metric specifically measures investment returns to allow management/Council to manage the ongoing impacts of economic volatility.

In the future, Finance will work to develop goals and target levels for each of these indicators, and utilize them to guide future policy development, and budget recommendations for Council to consider.

Conclusion:

The City's strong overall financial health played a key part in the City's recovery from the COVID-19 pandemic and continues to keep the City in a strong financial position during these times of economic challenges. The regular review and analysis of these performance measures will enhance governance and financial oversight to ensure the City maintains strong financial management.

Internal Circulation:

Considerations not applicable to this report:

- Legal/Statutory Authority:***
- Legal/Statutory Procedural Requirements:***
- Existing Policy:***
- Financial/Budgetary Considerations:***
- External Agency/Public Comments:***
- Communications Comments:***

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cc:
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