



**2023**

# FINANCIAL PLAN

Carryover Budget – Volume 2

# Agenda

- ▶▶ What is a carryover?
- ▶▶ Carryover reason codes
- ▶▶ 2023 Carryover volume
- ▶▶ Three-year comparison

# What is a Carryover?

- ▶ Movement of budget for projects delayed or planned as multiyear
- ▶ Municipal budgets are approved on an annual basis
- ▶ Project budgets must be added to the next budget year to continue
- ▶ Corporate financial policy and guidelines
- ▶ Request must be justified and meet eligibility criteria



# Carryover Reason Codes

- ▶ External Event
- ▶ Scheduling Demands
- ▶ Multi-Year
- ▶ Program
- ▶ Design Options
- ▶ Council Approval
- ▶ Council Policy
- ▶ Awaiting Grant Information

### PURPOSE

The purpose of this policy is to establish a consistent framework for an incomplete operating and/or capital project budget to be considered for carryover into the following budget year, where funding is available.

### POLICY SCOPE

This policy applies to all operating and capital budget items whose underspending in a budget year is a result of timing, scope change or is a multi-year undertaking and requiring a carryover to the following budget year in order to complete the project. This underspending, if not carried forward into the following budget year, would not allow for the completion of the project and the lapsed funding would flow into the City's annual surplus.

### POLICY STATEMENT

To be eligible for budget carryover a request must be justified and meet one or more of the following criteria:

- **Design Option:** A one-time operating or capital project that is waiting for a design decision or is being re-scoped due to a change in circumstances.
- **External Event:** A one-time operating or capital project that is delayed due to an unanticipated external event.
- **Multi-Year:** A one-time operating or capital project that is planned over multiple years and has been identified as such in the original budget request.
- **Scheduling:** A one-time operating or capital project that is delayed due to internal scheduling conflicts.
- **Awaiting Grant Information:** A one-time operating or capital project that is on hold pending grant approval.
- **Program:** An operating or capital project that is part of a larger annual program that has a list of projects that exceed the annual budget.
- **Council Approved:** An operating project with a base budget that has been approved by Council to be used as funding for a project on a one-time basis.
- **Policy:** An operating project with a base budget that has a Council-endorsed policy to support a carryover.

Carryover funds may only be used for the purpose of completing the initial project. A change in the purpose or project of a budget carryover can only be made through the budget transfer process, and with Council approval where needed.

Carryover requests must answer three fundamental questions - WHY was the project not completed in the budget year, WHAT work is left to be done to complete the project and WHEN is the project expected to be completed? Budget carryover requests must be approved by the Divisional Director and assigned an appropriate reason code prior to submission for review by Financial Services. All carryovers are approved by the Senior Leadership Team (SLT).

Where appropriate, carryovers can be requested at the program level rather than at the specific sub-projects level.

Budget carryover requests submitted after the annual deadline must be approved by the appropriate Divisional Director, the Divisional Director, Financial Services and the City Manager or their designates to be considered for inclusion in the budget.

### DEFINITIONS

#### Budget carryover

Transferring unspent funds in one fiscal year to a subsequent fiscal year as a result of a change in timing, scope, unanticipated external event, scheduling conflicts or to accommodate a multi-year project. Budget carryovers provide both flexibility and discipline in project spending.

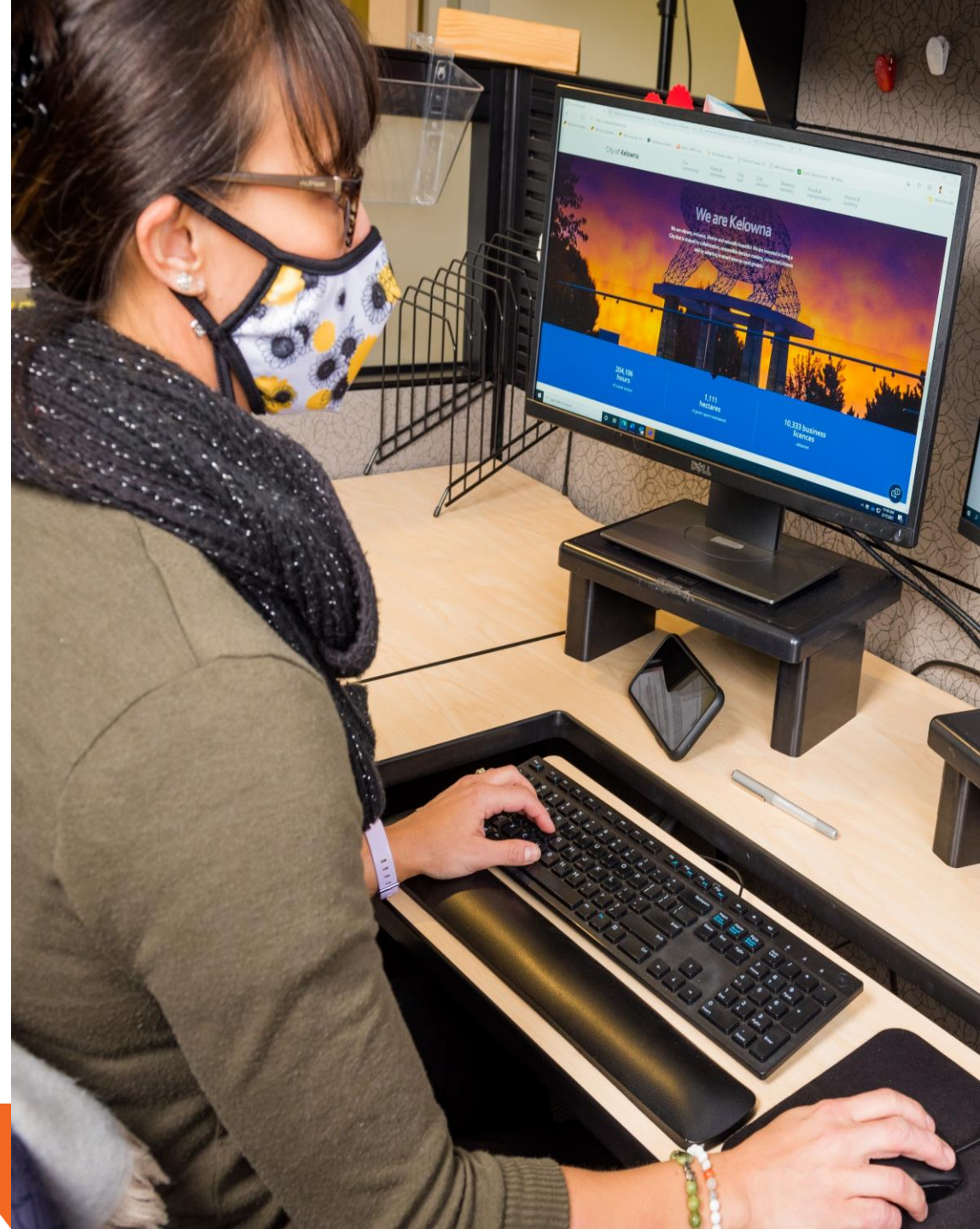
# External Event

- ▶ A one-time operating or capital project that is delayed due to an unanticipated external event
  - ▶ Weather event or unseasonal weather
  - ▶ Environmental permits pending
  - ▶ Contractor or supplier delays



# Scheduling Demand

- ▶ A one-time operating or capital project that is delayed due to internal scheduling conflicts
  - ▶ Internal resources not available and caused project delays
  - ▶ Project is delayed in order to align with another project for efficiency and cost saving reasons



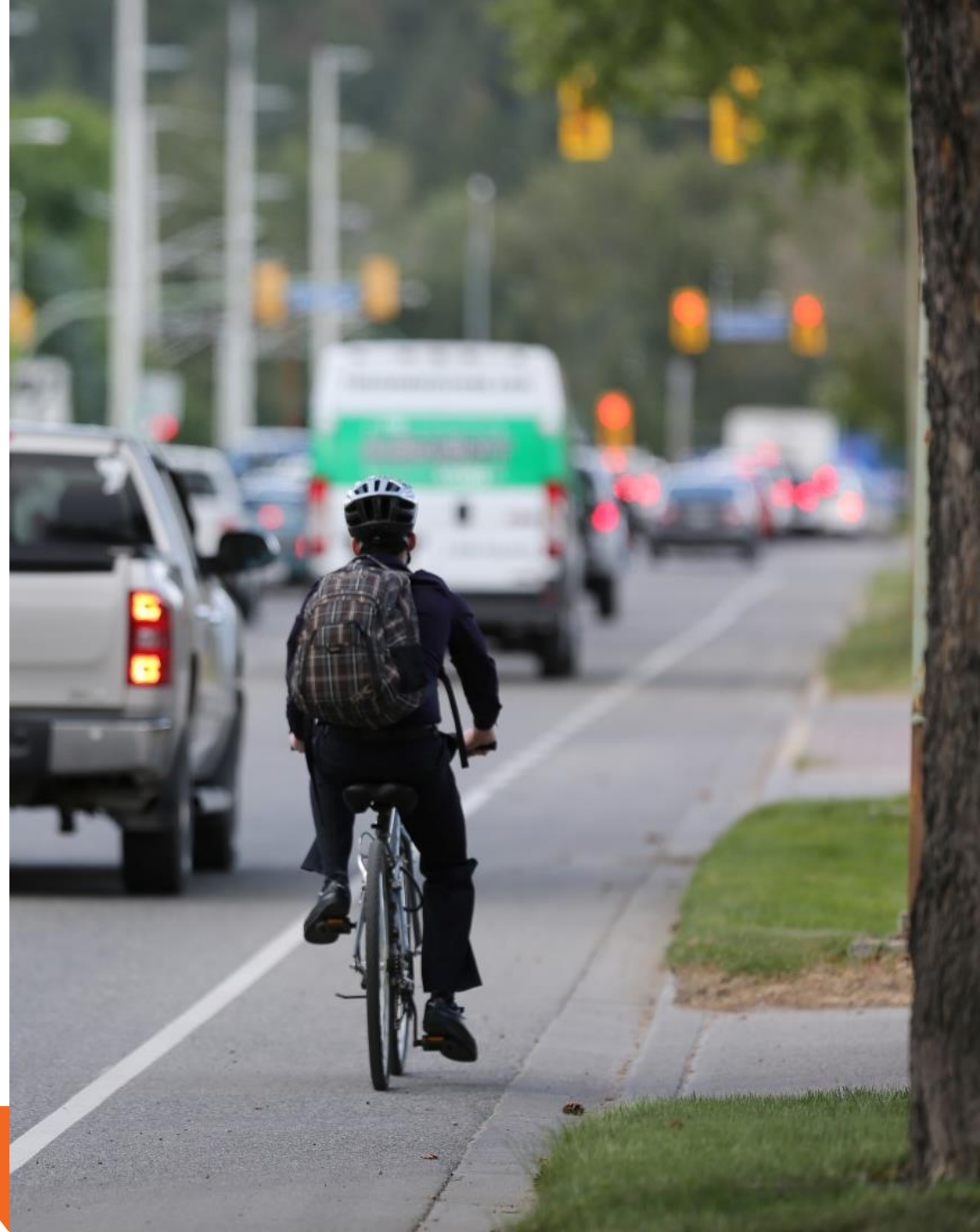
# Multi- Year

- ▶ A one-time operating or capital project that is planned over multiple years and has been identified as such in the original budget request or report to Council.
  - ▶ Large capital projects expect to take more than one year to complete
  - ▶ Large plans like the Official Community Plan that take multiple years to complete



# Program

- ▶ A one-time operating or capital project that is part of a larger annual program that has a list of projects that exceed the annual budget.
  - ▶ Sidewalk network expansion
  - ▶ Safety and Operations program





# Design Option

- ▶ A one-time operating or capital project that is waiting for a design decision or is being re-scoped due to a change in circumstances.
  - ▶ Project bid pricing is higher than budgeted requiring the project to be re-scoped
  - ▶ Grant funding has been denied and project has less funding available



# Council Approved

- ▶ An operating project with a base budget that has been approved by Council to be used as funding for a project on a one-time basis.
  - ▶ Project started mid-year after Council approval to redeploy base budget



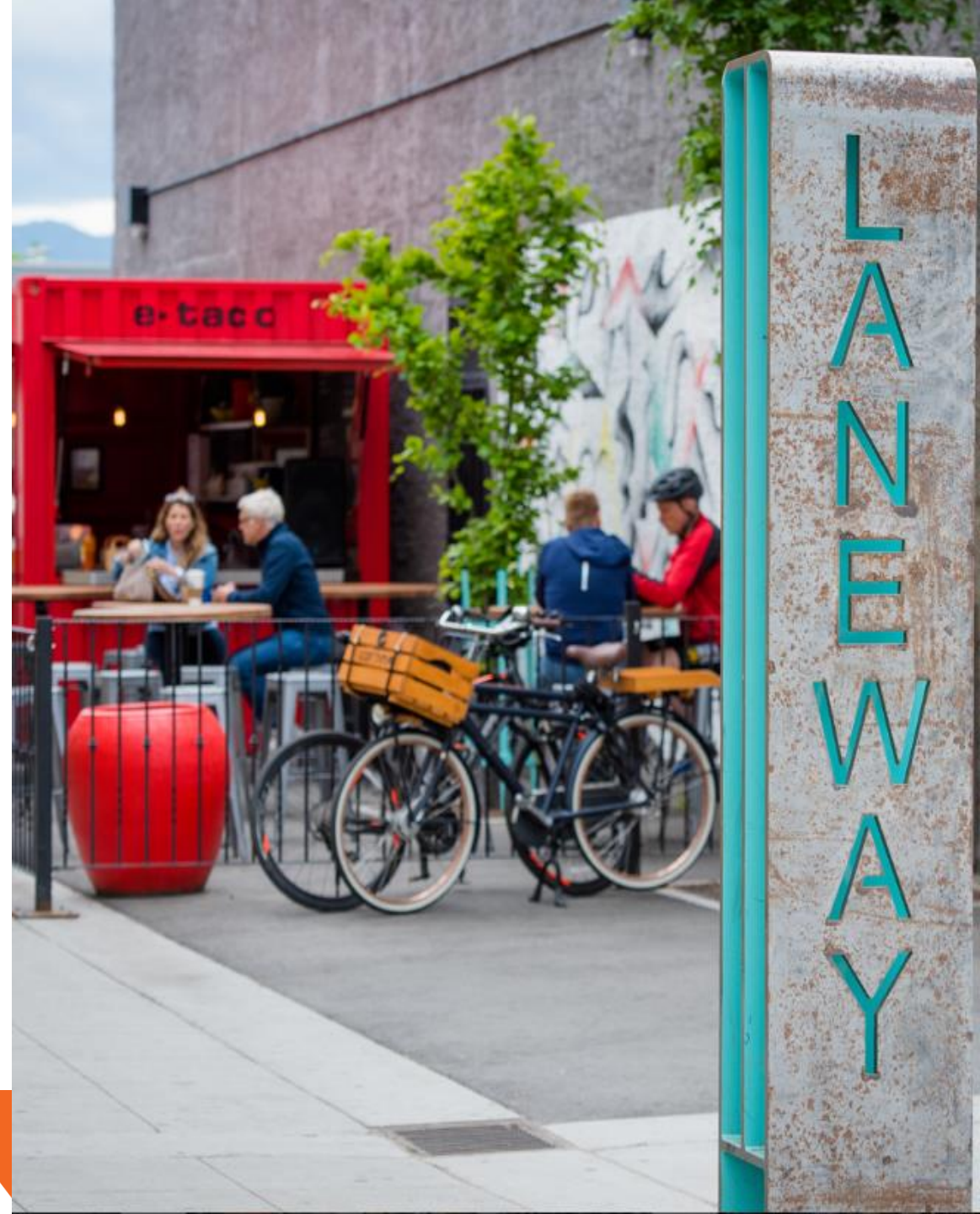
# Council Policy

- ▶ An operating project with a base budget that has a Council-endorsed policy to support the carryover.
  - ▶ Council Policy 380 – Community Grant Policy states “funds not expended in a focus area in any given year will be automatically carried over and retained for use in the same focus area in the subsequent year.”



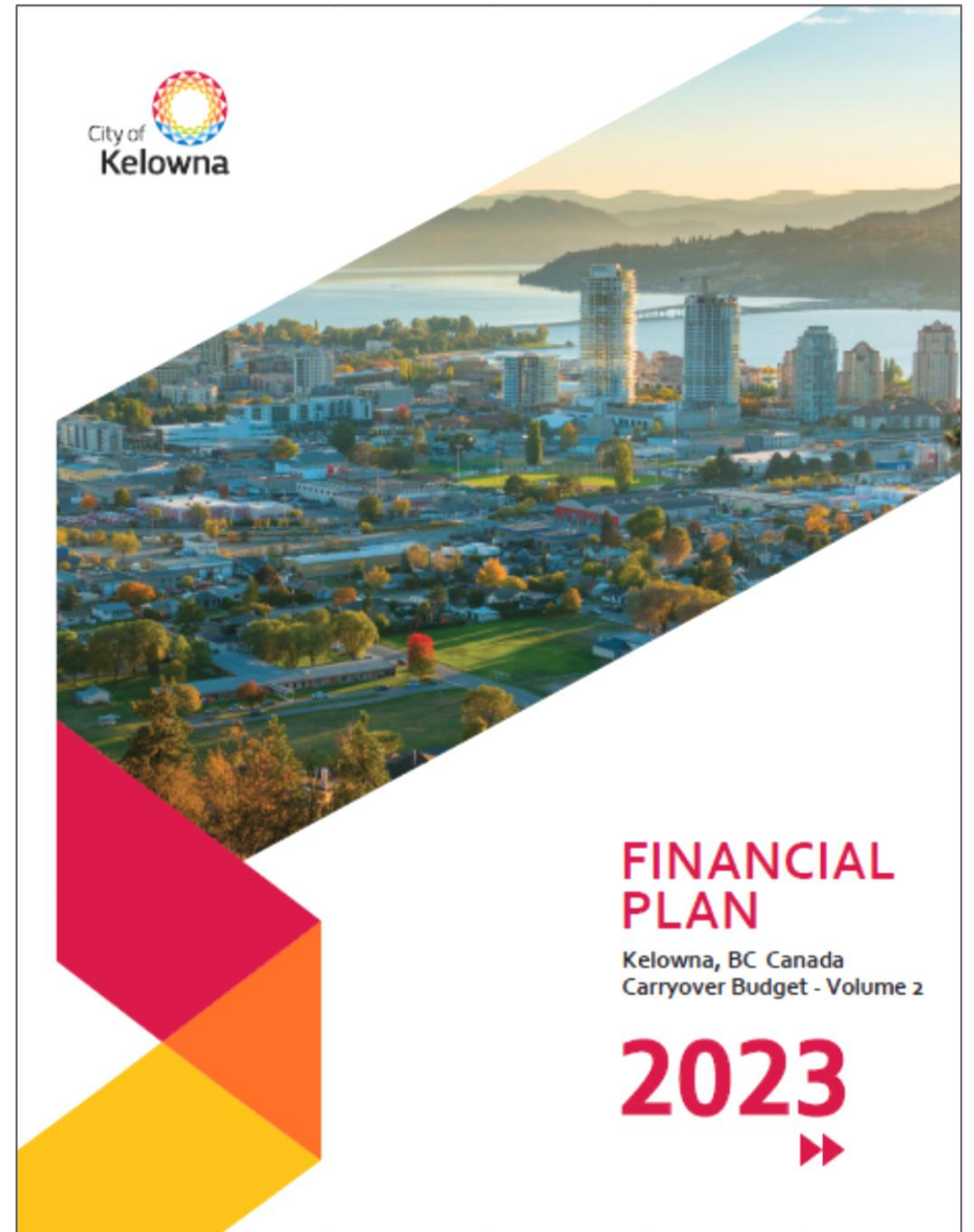
# Awaiting Grant Information

- ▶ A one-time operating or capital project that is on hold pending grant approval
  - ▶ Grant decision is expected in the next year

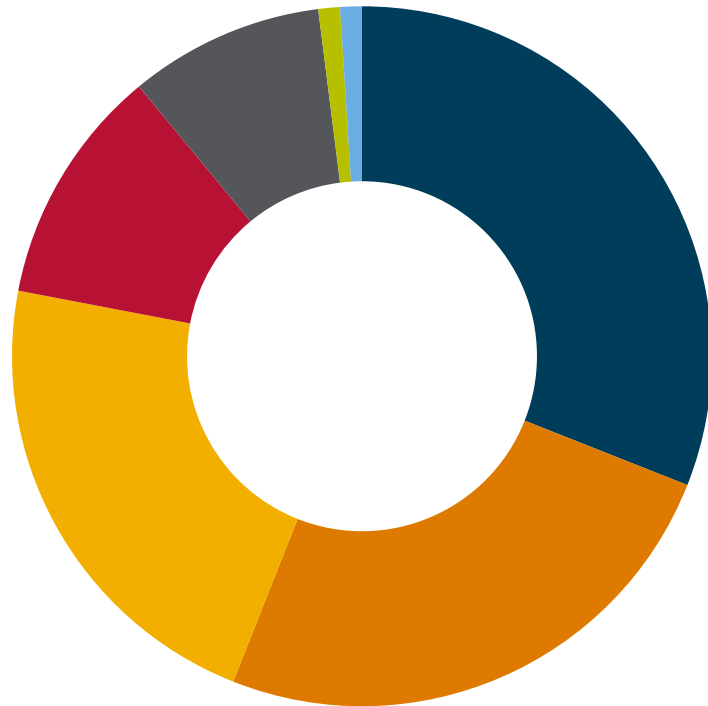


# 2023 Carryover Volume

- ▶ Total carryover value \$237.3M
  - ▶ Operating \$19.4M
  - ▶ Capital \$217.9M
- ▶ General fund \$110.8M
- ▶ Airport fund \$100.1M
- ▶ Water fund \$4.4M
- ▶ Wastewater fund \$22.0M



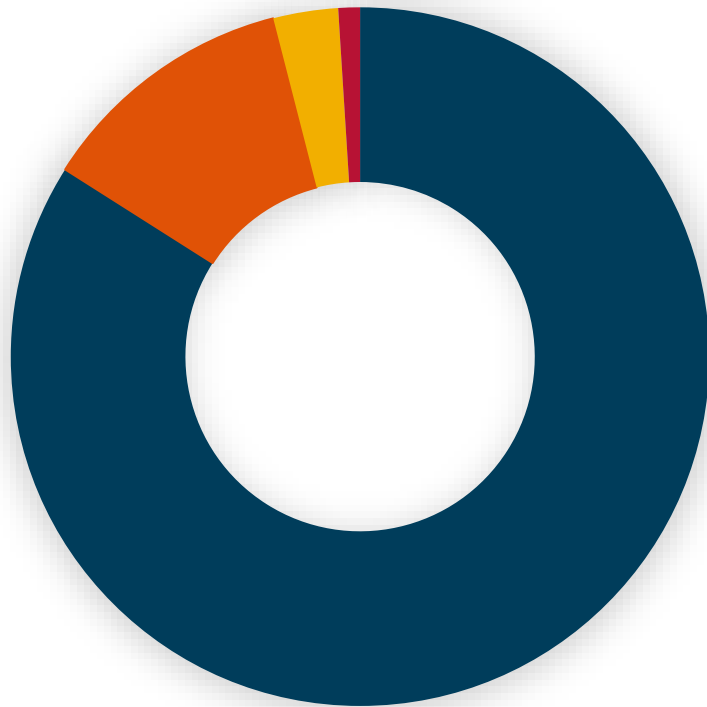
# 2023 Carryover Reasons



- External Event 31%
- Scheduling Demands 25%
- Multi-Year 22%
- Program 11%
- Design Option 9%
- Council Approved or Policy 1%
- Awaiting Grant Information 1%

Total Requests: 262

# 2023 Carryover Funding Sources



■ Reserve 84%

■ Fed/Prov 12%

■ Borrow 3%

■ Dev/Com 1%

Total Funding \$237.3M

# Three Year Comparison

	2023	2022	2021
Total Carryover	\$237	\$177	\$173
Operating	\$19 = 8%	\$10 = 6%	\$8 = 5%
Capital	\$218 = 92%	\$167 = 94%	\$165 = 95%
General Fund	\$111 = 47%	\$87 = 49%	\$73 = 42%
Utility Funds	\$126 = 53%	\$90 = 51%	\$100 = 58%
Number of Requests	262	249	259



# QUESTIONS?

Budget 2023  
#kelownabudget

For more information visit: [kelowna.ca/budget](https://kelowna.ca/budget)

