

Memo



Date: April 25, 2023
Rim No. 0220-20
To: Audit Committee
From: City Manager
Subject: 2022 Surplus from Operations

Report Prepared by: Finance Director

Recommendation:

That the 2022 General Fund Surplus of \$11,961,967 generated from operating and capital programs be distributed as per the City Manager's memo of April 25, 2023.

Purpose:

To provide the Audit Committee with a recommendation for the allocation of the 2022 General Fund surplus for contribution to reserve and accumulated surplus.

Background:

The 2022 year-end surplus is \$11,961,967. This is the total surplus that was generated from all General Fund operations in 2022 with the major sources being: RCMP staff vacancies resulting in excess budget of \$7.3M, development related revenues in excess of budget of \$3.3M, and a surplus of \$1.4M related to Active Living and Culture due to staff vacancies and fewer program offerings as a result of the COVID-19 pandemic and related provincial health mandates.

The following allocation of the 2022 surplus is recommended in order to minimize risk where unanticipated circumstances may arise during the year; maintain acceptable reserve levels; and support Council priorities.

Equalization Reserves	\$ 1,285,000	Fiscal equalization reserves are used to provide funding for unexpected events such as heavy snow fall years and slope stability issues, as well as to offset unanticipated expenditure or revenue fluctuations. This contribution will bring various equalization reserves back up to acceptable reserve levels.
Major Recreation	\$ 5,000,000	To help fund and reduce potential long-term borrowing related to the proposed Kelowna Community Campus.

Land Acquisition & Partnerships	\$ 4,500,000	To help fund purchases of land for the purposes of affordable housing and parks, as well as provide funding that can be leveraged in response to partnership opportunities.
Council Strategic Fund	\$ 1,000,000	To provide funding for Council to use at their discretion to fund projects that will bring positive change that align with Council priorities.

The remaining balance of \$176,967 will flow to Accumulated Surplus. The Accumulated Surplus balance provides for a surplus level of approximately \$5.0M which is 3% of the 2022 taxation requirement. This resulting accumulated surplus balance 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 Finance Director will be pleased to discuss any of the information provided in this memorandum during the Audit Committee Meeting on April 25, 2023. If the Audit Committee agrees with this recommendation, it will then be forwarded to Council for their approval.

Submitted by:



Doug Gilchrist
City Manager

cc: Controller,
Corporate Finance Manager,
Financial Planning Manager