

Report to Council



Date: August 28, 2023
To: Council
From: City Manager
Subject: Second Quarter 2023 Financial Performance
Department: Financial Services

Recommendation:

THAT Council receives, for information, the Second Quarter 2023 Financial Performance Report.

AND THAT the 2023 Financial Plan be amended to include the budget redeployment of \$1.5M from surplus investment income to the City's Housing Opportunities Reserve Fund to facilitate the timely acquisition of lands necessary to meet the most urgent housing needs of our community.

Purpose:

To provide Council with information summarizing the City of Kelowna's second quarter financial activity in alignment with the format outlined in the February 13, 2023 report to Council on the 2023 Financial Health Dashboard.

Background:

2023 Financial Health Dashboard

The 2023 Financial Health Dashboard report brought to Council February 13, 2023 resulted in direction from Council to staff to report quarterly on activity performance measures. As part of finance staff's ongoing commitment to enhancing transparency, understanding and accountability for utilization of City funds, this report is the next step enhancing our financial framework with the implementation of quarterly financial reporting.

There are now two types of reporting on the financial health of the City:

1. Quarterly Reporting: measures of the City's financial performance are against Council approved budgets.

2. Financial Health Measures: These benchmarked financial KPI's illustrate the City's overall financial health as compared to other Municipalities and City expectations.

Discussion:

Performance to date

Performance, seen in the table below, indicates that spending has been below budget while revenue collection has been above budget.

Activity Ratio	Description	Second Quarter Performance (YTD)
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.	Group: Divisions ➤ \$552M (60%)
Actual Spend to Budget	Measures performance against original and amended net budget. This measure provides an indication of progress toward planned outcomes.	Group: Divisions ➤ \$271M (30%)
Payroll Expenditure 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.	Group: Divisions ➤ \$57M (51%)
Capital Expenditure Burn Rate (Actual Spend 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.	Group: Capital Cost Centres ➤ \$46M (23%)
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.	Group: Investments ➤ \$14M (70%)

Deviation from budget targets is dominated by anticipated timing differences. (For example, the tax revenue collected for the City and for other governments is largely collected annually, during the second quarter.)

Divisional budget target by year-end

Active Living and Culture: On Budget

Airport: On Budget

City Clerk:	On Budget
City Manager:	On Budget
Corporate and Protective Services:	On Budget
Corporate Strategic Services:	On Budget
Financial Services:	Revenues trending higher than budget due to Investments
Infrastructure:	On Budget
Partnerships and Investments:	Expenses trending under budget due to Parks & Planning project deferral.
Planning, Climate Sustainability and Development Services:	Revenues trending higher than budget due to fees and charges

Risks Identified

The financial activities and progress to date have been stable and reveal no indication of potential future risks.

Budget redeployment

The practice of budget redeployment through quarterly reporting holds significant importance for municipalities. This approach involves reallocating funds based on changing priorities and providing financial updates every quarter. It offers several benefits:

- Adaptation:** Municipalities can respond to emerging needs and priorities promptly.
- Decision-Making:** Up-to-date financial information aids informed resource allocation.
- Risk Management:** Swift allocation of funds for unforeseen events enhances preparedness.
- Transparency:** Clear reporting fosters trust and accountability among stakeholders.
- Resource Efficiency:** Funds are allocated based on outcomes, enhancing operational effectiveness.
- Long-Term Planning:** Data from multiple quarters informs future planning.

For Quarter 2 of the 2023 fiscal year, Financial Services is proposing the following fund transfers:

1. Redeploy \$1,500,000 from the forecasted surplus in investment income to the City's Housing Opportunities Reserve Fund to help facilitate timely acquisition of lands as necessary to meet the most urgent housing needs of our community.

Conclusion:

The second quarter financial performance reflects a positive outlook for the organization, with most divisions successfully tracking on budget. The performance across multiple divisions demonstrates the effectiveness of our financial planning and resource allocation strategies.

Internal Circulation:

Considerations applicable to this report:

Financial/Budgetary Considerations:

\$1.5M from surplus investment income to the City's Housing Opportunities Reserve Fund to facilitate the timely acquisition of lands necessary to meet the most urgent housing needs of our community.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

External Agency/Public Comments:

Communications Comments:

Submitted by: M. Friesen, Controller Financial Services

Approved for inclusion:



Joe Sass, Divisional Director Financial Services