

# Report to Council



**Date:** November 20, 2023  
**To:** Council  
**From:** City Manager  
**Subject:** Service Based Budget Workshop  
**Department:** Financial Services

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## **Recommendation:**

THAT Council receives, for information, the report from Financial Services dated November 20<sup>th</sup>, 2023, with respect to the City's adoption of a Service Based Budgeting methodology.

## **Purpose:**

To provide Council an overview of the City's change to a Service Based Budgeting methodology.

## **Background:**

The City of Kelowna has traditionally used an organizational approach to presenting the annual budget whereby each division or department budget was presented to Council based on the organizational structure of the day. This sometimes-caused confusion when departments were moved between the different divisions or new divisions were set up as part of re-organizations. It also made it difficult to present the cost of services that are delivered across multiple divisions. Further, the connection between the service levels observed by citizens was not necessarily tied to the budget presentation in a meaningful way.

With citizens increasingly holding municipalities accountable for the cost of services provided, the 2024 Financial Plan will be presented under a Service Based Budgeting methodology, with services and associated service levels being determined through Council's priorities, and the City's strategic plan. Under this approach, budget is created and presented around the service being delivered to the community, rather than departments and divisions under which the organization is structured.

Service Based Budgeting has many benefits for Council and the Community including:

- Enhanced accountability and transparency
- Better communication of where tax dollars are being spent and for what outcome
- Greater clarity of services offered to the community & their associated costs
- Council establishes the endorsed level of service & associated investment

The 2024 Financial Plan will strive to:

- Quantify the cost to deliver a service
- Link service costs to key performance indicators
- Increases transparency and citizen understanding of investments tied to outcomes
- Enhance governance focused on output and Council priorities
- Set baseline for 2025 and beyond

Notable difference from previous years includes a greater focus on the budget as a whole including the City run utilities and airport; budget requests will be identified as needed to maintain the current service level or requested to enhance the service level; and service budgets will be linked to key performance indicators.

**Conclusion:**

The City of Kelowna has received the GFOA Distinguished Budget Presentation Award for 21 consecutive years and we are confident that we will receive it again for the 2023 Financial Plan. The Financial Planning Department has a longstanding commitment to preparing high-quality and transparent budget documents and are dedicated to continual improvements that will enhance clarity of the information presented, corporate awareness, and reader engagement.

**Considerations not applicable to this report:**

*Legal/Statutory Authority:*

*Legal/Statutory Procedural Requirements:*

*Existing Policy:*

*Financial/Budgetary Considerations:*

*Consultation and Engagement:*

*Communications Comments:*

Submitted by:

M. Antunes, Financial Planning Manager

**Approved for inclusion:** J. Sass, Financial Services Divisional Director

**Attachments:**

Attachment A - 2023 Financial Plan – Planning & Development

Attachment B - Development Planning Service Section – New Template

Attachment C - Service Based Budget Workshop Presentation

cc:

J. Jean, Budget Supervisor