

Report to Council



Date: May 13, 2024
To: Council
From: City Manager
Subject: First Quarter 2024 – Financial Performance
Department: Financial Services

Recommendation:

THAT Council receives, for information, the First Quarter 2024 Financial Performance Report from the Financial Services Controller as a continued approach of presenting timely and relevant financial information.

Purpose:

To provide Council with information summarizing the City of Kelowna’s first quarter financial activity in alignment with the presentation of the 2024 Financial Plan reflecting activities through a service-based model.

Background:

The 2024 Financial Plan shifted from traditional budgeting to service-based budgeting, which is organized by service area, rather than departments and divisions. The service-based budget model increases transparency, accountability, and fiscal agility. This model empowers residents and council to gain a more holistic understanding of the services their government provides and the tradeoffs if other services are prioritized.

Discussion:

Performance to date

The Financial Services Department is committed to continuous improvement. As we navigate economic changes and a shifting macro environment, staff provide regular performance reporting throughout the year to improve governance and financial oversight. This report presents the first quarter financial performance against the budget.

The performance, as seen in the table below, indicates that both revenues and spending are trending close to target. Investment revenue is exceeding the target, and the remaining deviations from the

target are the result of anticipated variances in timing. For example, taxation revenue collection in the first quarter is near 0%. This is an anticipated variance as taxation collection predominantly occurs in the second quarter.

Activity Ratio	Description	First Quarter Performance
Revenue to Budget	Measures revenue performance against original and amended net budget. This metric allows management/Council to identify revenue gaps or surpluses, and to adjust where required to reach financial goals.	Group: Revenue <ul style="list-style-type: none"> ➤ \$47M (10%) <ul style="list-style-type: none"> ○ Top Source: Fees & Charges (\$36M) ○ Top Service: Enabling Services (\$14M)
Spending to Budget	Measures performance against original and amended net budget. This measure provides an indication of progress toward planned outcomes.	Group: Expenditure <ul style="list-style-type: none"> ➤ \$63M (18%) <ul style="list-style-type: none"> ○ Top Type: Salaries & Wages (\$33M) ○ Top Service: Enabling Services (\$21M)
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: Expenditure Type <ul style="list-style-type: none"> ➤ \$33M (27%) <ul style="list-style-type: none"> ○ Top Service: Enabling Services (\$8M)
Capital Expenditure Burn Rate	Measures the percentage of annual capital budget being used and indicates the City's ability to deliver on its capital program.	Group: Capital Projects <ul style="list-style-type: none"> ➤ \$22M (9%)
Investment Income 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: Revenue Sources <ul style="list-style-type: none"> ➤ \$8M (35%)

Service Area budget target by year-end.

Airport	On Budget
Arts & Culture	On Budget
Community Development	On Budget
Community Safety & Bylaw	On Budget
Development Planning	On Budget
Development Services	On Budget
Enabling Services	Investment income above target
Fire Safety	On Budget
Governance & Leadership	On Budget
Parking	On Budget
Parks	On Budget
Partnerships & Relationships	On Budget
Police Services	On Budget
Solid Waste & Landfill	On Budget
Sport & Recreation	On Budget
Stormwater	On Budget
Transit	On Budget
Transportation	On Budget
Wastewater Utility	On Budget
Water Utility	On Budget

Risks Identified

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

Budget adjustments

First quarter budget adjustments and transfers will be presented through a separate Report to Council. They include ten items across multiple service areas totaling \$5.4M with no impact to taxation demand.

Conclusion:

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

Internal Circulation:

Financial Planning Manager

Considerations applicable to this report:

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. Friesen, Controller Financial Services

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

Attachments:

Appendix A. Presentation to Council