

# Report to Council



**Date:** August 12, 2024  
**To:** Council  
**From:** Matt Friesen, Controller Financial Services  
**Subject:** Second Quarter Financial Performance  
**Department:** Financial Services

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## **Recommendation:**

THAT Council receives, for information, the Second 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 second quarter financial activity in alignment with the presentation of the 2024 Financial Plan reflecting activities through a service-based model.

## **Background:**

### 2024 Service-Based Model

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 second quarter financial performance against the budget and prior year activity.

The performance against budget, 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 second quarter is nearly 100%. 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.	<b>Group: Revenue</b> ➤ <b>\$328M (74%)</b> <ul style="list-style-type: none"> <li>○ Top Source: Property &amp; Parcel Tax (\$198M)</li> <li>○ Top Service: Enabling Services (\$230M)</li> </ul>
Spending to Budget	Measures performance against original and amended net budget. This measure provides an indication of progress toward planned outcomes.	<b>Group: Spending</b> ➤ <b>\$150M (42%)</b> <ul style="list-style-type: none"> <li>○ Top Source: Salaries &amp; Wages (\$66M)</li> <li>○ Top Service: Enabling Services (\$36M)</li> </ul>
Payroll Spending 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.	<b>Group: Spending Source</b> ➤ <b>\$66M (53%)</b> <ul style="list-style-type: none"> <li>○ Top Service: Enabling Services (\$16M)</li> </ul>
Capital Spending Burn Rate	Measures the percentage of annual capital budget being used and indicates the City's ability to deliver on its capital program.	<b>Group: Capital Projects</b> ➤ <b>\$84M (35%)</b>
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.	<b>Group: Revenue Source</b> ➤ <b>\$18M (83%)</b>

Service Area budget target by year-end

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

Risks Identified

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

Budget adjustments

Second quarter budget adjustments and transfers will be presented through a separate Report to Council. They include fourteen items across multiple service areas totaling \$16.3M with no impact to taxation demand. This includes a \$426K budget redeployment.

**Conclusion:**

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

**Internal Circulation:**

Financial Planning Manager

**Considerations not applicable to this report:**

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Consultation and Engagement:

**Submitted by:** M. Friesen, Controller Financial Services

**Approved for inclusion:** J. Sass, General Manager Corporate Services

**Attachments:** PowerPoint: Measuring Financial Performance