

2023 Q4 Financial Variance and Forecast Report

RECOMMENDATION:

None

REPORT SUMMARY

This report provides financial information regarding the City's operating activities for 2023 and compares forecasted third quarter and annual actual results to the 2023 amended budget.

The year-end ongoing operating results include a positive revenue variance of \$4,851,000 and a negative expense variance of \$2,122,000 from budget to actual. The year-end forecasted net result of operating revenues after expenses is \$24,654,000 which is \$2,729,000 more than budget.

BACKGROUND

In order to provide Committee of Council an overview of the ongoing financial activities of the City, staff measure budget to actual revenue and expense performance while also forecasting expected annual operating results. This activity helps provide staff and Committee of Council appropriate oversight of the approved financial plan throughout a given time period.

DISCUSSION

For 2023, budgeted operating revenues less expenditures were expected to generate \$21,925,000 in funds for transferring to reserve accounts and to repay long term debt principle. Revenue results are greater than budget due to higher rates of return on the City's investments, higher penalty and fines collections, larger than budgeted grants and utility charges.

Favourable budget to actual expenses are in the Finance, Development Services, and Police Services departments, offset by higher than anticipated costs in Engineering and Public Works, Fire and Emergency Services and Recreation.

	2023 Budget	2023 Actual	Annual Budget Variance	Variance as % of Budget	2023 Q3 Forecast	2023 Q3 as % of Budget
Operating Revenues	\$125,222,100	\$130,073,092	\$4,850,992	3.87%	\$128,955,903	2.98%
Operating Expenses	\$103,297,110	\$105,419,560	(\$2,122,450)	(2.05%)	\$104,913,768	(1.57%)
Surplus / (Deficit)	\$21,924,990	\$24,653,532	\$2,728,542	12.44%	\$24,042,135	9.66%

Revenues by Source

Total operating revenues for 2023 are \$130,073,000 and result in a \$4,851,000 or a 3.87% favourable variance from budget. The largest driver of the variance is higher than budgeted rates of return on the City's investments. Penalties and fines revenue were also greater than planned as Bylaw Services collections have been very strong throughout 2023. These are partially offset with



Report To: Committee of Council
Department: Finance
Approved by: J. Lovell
Meeting Date: May 7, 2024

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legal fees. Higher than anticipated government grants and utility charges (partially offset with expenses) also contribute to the positive revenue variance.

Explanations have been provided for annual variances that differ from the budget by greater than \$75,000 and 5%. These summaries also include supporting graphs which show both the 2022 and 2023 budgets, actuals and Q3 forecasts.

	2023 Budget	2023 Actual	Annual Budget Variance	Variance as % of Budget	2023 Q3 Forecast	2023 Q3 as % of Budget
Taxation and Other Levies	\$80,734,080	\$80,679,770	(\$54,310)	(0.07%)	\$80,578,821	(0.19%)
Utility Charges	27,449,800	28,055,700	605,900	2.21%	28,365,795	3.34%
Sale of Services	7,965,150	8,234,990	269,840	3.39%	7,937,459	(0.35%)
Contributions	2,189,100	2,660,420	471,320	21.53%	2,615,152	19.46%
Permits and Licenses	3,011,070	3,367,030	355,960	11.82%	3,048,627	1.25%
Investment Income	2,735,537	4,939,339	2,203,802	80.56%	4,423,075	61.69%
Penalties and Fines	544,000	1,213,710	669,710	123.11%	1,121,037	106.07%
Other Revenue	593,363	922,133	328,770	55.41%	865,937	45.94%
Total Operating Revenue	\$125,222,100	\$130,073,092	\$4,850,992	3.87%	\$128,955,903	2.98%

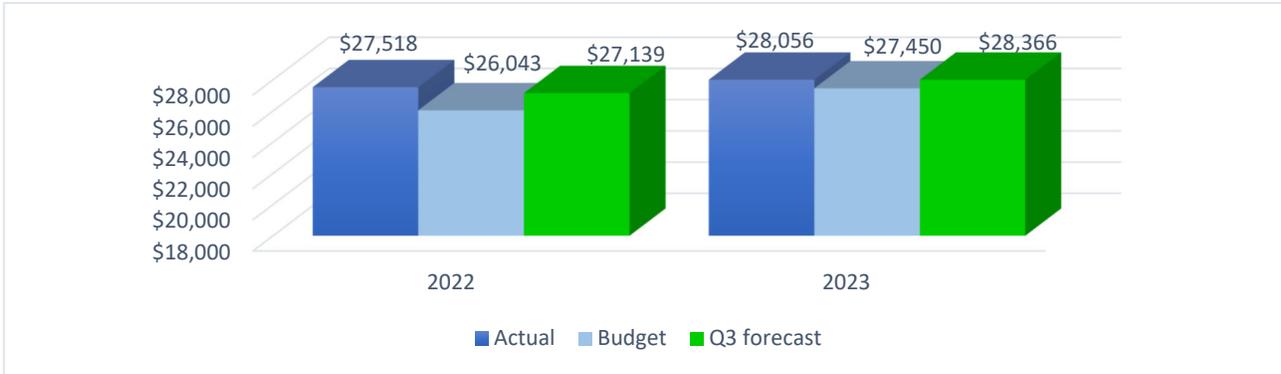
Taxation and Other Levies



No significant variances are anticipated in this area.

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Utility Charges (Water, Sewer and Solid Waste Fees)



Due to hot, dry summer weather, higher than anticipated commercial water consumption produced a \$605,000 positive variance in utility charges. This variance was partially offset with increased bulk water purchase expenses from Metro Vancouver.

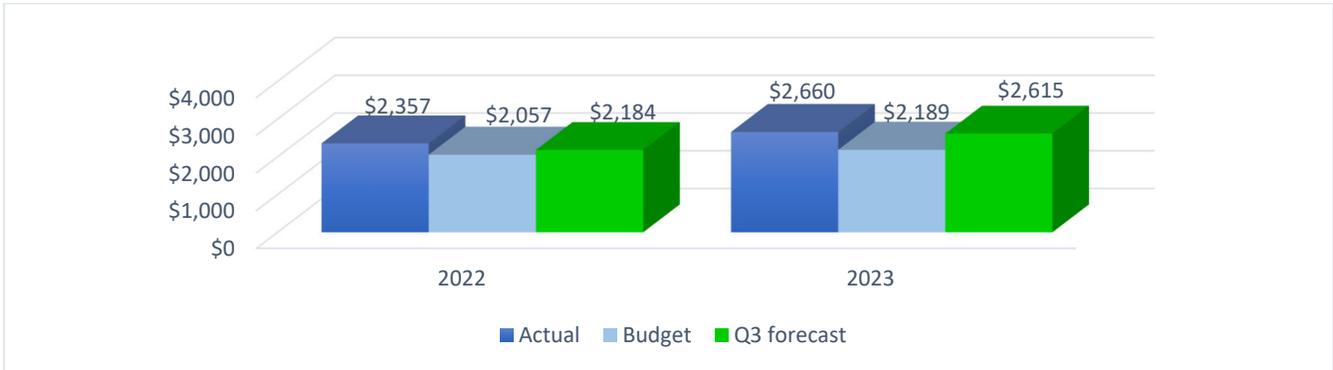
Sales of Services



Sale of services revenue include fees paid to the City for recreation facilities and programs, advertising revenue, rental revenue and funds collected for private jobs performed by City staff for members of the community. There were no significant variances in this area.

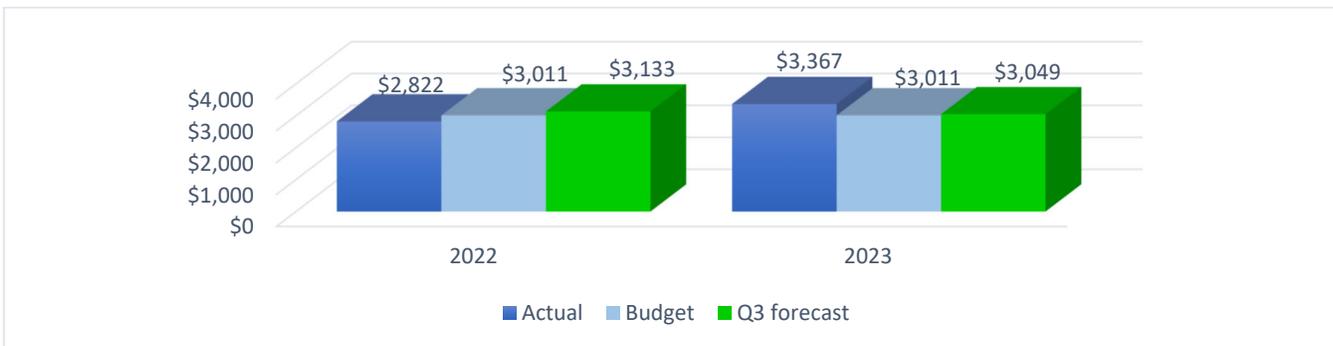
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Contributions



Contributions revenue includes grants from the Federal and Provincial governments as well as funds provided to the City from other organizations to support City initiatives and events. Government grants were higher than budget as a result of the larger Local Government Climate Action Plan grant (\$245,000) replacing the Climate Action Incentive Program grant (\$64,000). Additionally, there were a larger than expected number of grants for community events and in access and inclusion which were \$114,000 greater than budget.

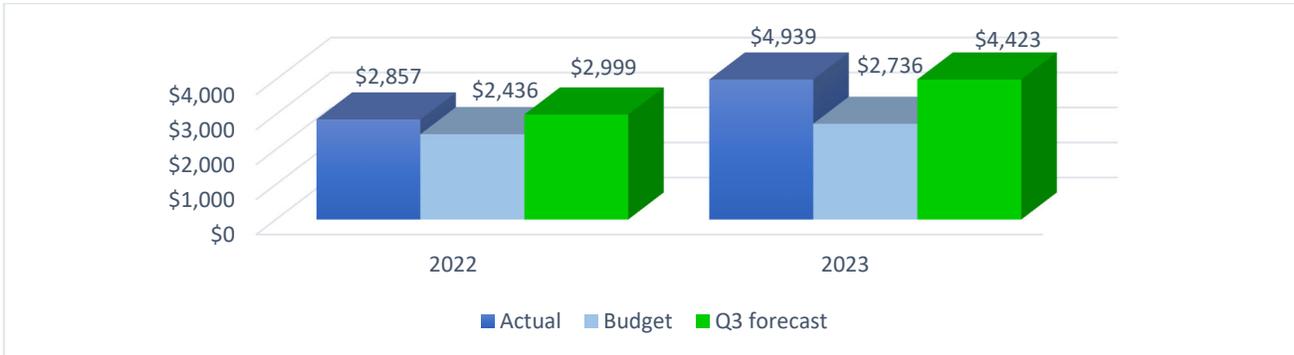
Permits and Licenses



This revenue category includes such items as building permits, development applications and business licenses. The positive variance was due to higher than expected business licensing activity (\$194,000) and increased development engineering activity compared to budget (\$132,000).

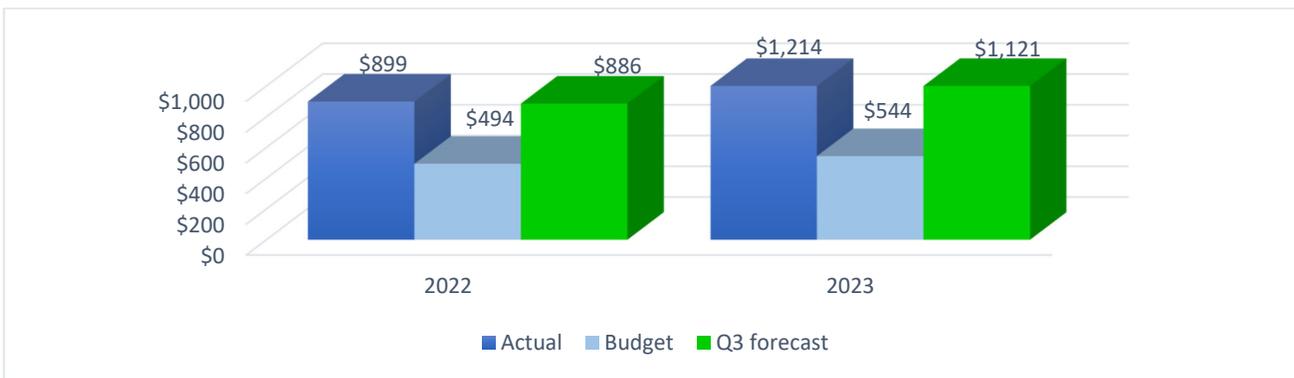
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Investment Income



The favourable variance results from the increase in rates of return on the City's investments as the Bank of Canada continued to raise interest rates through 2023. A higher investment rate of return also increases interest allocated to reserve and development cost charge (DCC) funds.

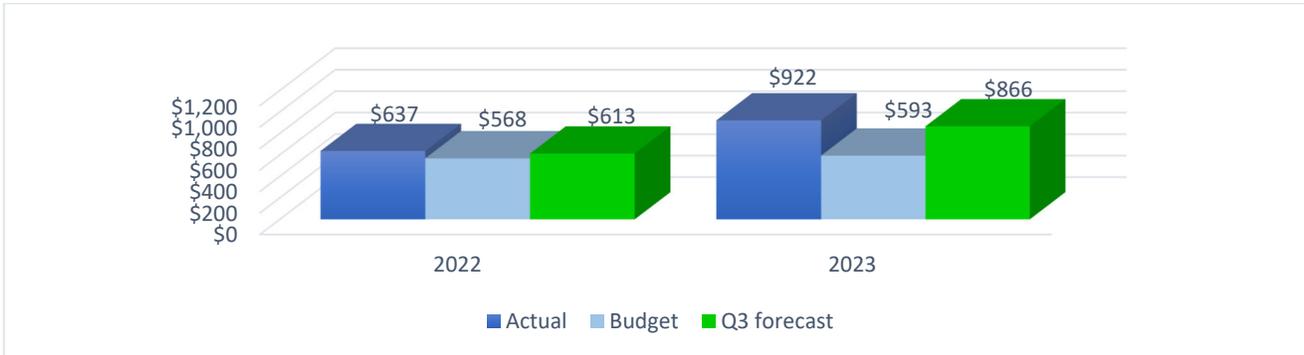
Penalties and Fines



Bylaw Services revenue has been very strong through 2023 due to increased enforcement accounting for a \$382,000 positive variance to budget. Additionally, several large late payment penalties for property taxes and utilities have been levied generating a positive variance of \$263,000.

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Other Revenue



This category includes miscellaneous revenues that don't fit into any other such as printing charges, digital sign revenue and rebates. Digital sign and advertising revenue were \$160,000 greater than budget. Also, the City received a \$176,000 rebate from WorkSafe BC for the Certificate of Recognition Audit. The certificate of recognition (COR) program recognizes and rewards employers who go beyond the current legal requirements, implement an effective occupational health and safety management system, and pass a WorkSafe BC certification audit.

Expenses by Function

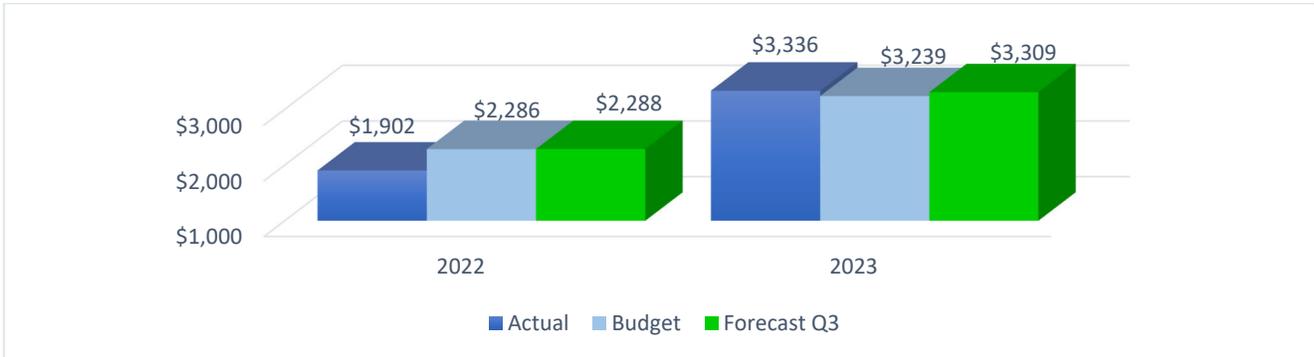
Overall, operating expenses are \$2,122,000 greater than budget for 2023 which represents a 2.05% unfavorable variance. Favourable budget to actual expense results occurred in Finance, Development Services, and Police Services. The expense reductions were offset by increased costs in Engineering and Public Works, Recreation and Fire & Emergency Services.

Explanations have been provided for annual variances that differ from the budget by greater than \$75,000 and 5%. These summaries also include supporting graphs which show both the 2022 and 2023 budgets, actuals and Q3 forecasts.

	2023 Budget	2023 Actual	Annual Budget Variance	Variance as % of Budget	2023 Q3 Forecast	2023 Q3 as % of Budget
Common Services	\$3,239,400	\$3,335,540	(\$96,140)	(2.97%)	\$3,308,627	(2.14%)
Office of the CAO	363,000	643,830	(280,830)	(77.36%)	631,300	(73.91%)
Community Safety and Corporate Services	5,241,100	5,139,120	101,980	1.95%	5,012,313	4.37%
Finance	2,679,710	2,533,600	146,110	5.45%	2,502,056	6.63%
Human Resources	1,260,500	1,237,680	22,820	1.81%	1,213,342	3.74%
Engineering & Public Works	11,593,600	12,544,810	(951,210)	(8.20%)	12,482,357	(7.67%)
Recreation	17,771,700	18,760,980	(989,280)	(5.57%)	17,969,072	(1.11%)
Police Services	18,105,000	17,690,410	414,590	2.29%	18,235,899	(0.72%)
Fire & Emergency Services	14,809,000	15,646,940	(837,940)	(5.66%)	15,276,215	(3.15%)
Development Services	4,047,600	3,824,340	223,260	5.52%	3,811,652	5.83%
Solid Waste Operations	4,689,500	4,452,850	236,650	5.05%	4,800,504	(2.37%)
Water Operations	10,962,700	11,105,200	(142,500)	(1.30%)	11,256,265	(2.68%)
Sanitary Sewer Operations	8,534,300	8,504,260	30,040	0.35%	8,414,167	1.41%
Total Operating Expenses	\$103,297,110	\$105,419,560	(\$2,122,450)	(2.05%)	\$104,913,768	(1.57%)

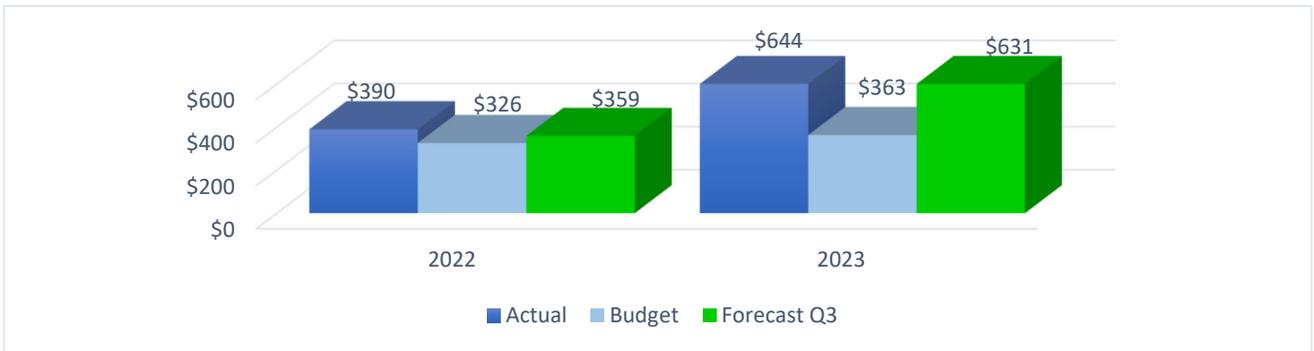
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Common Services



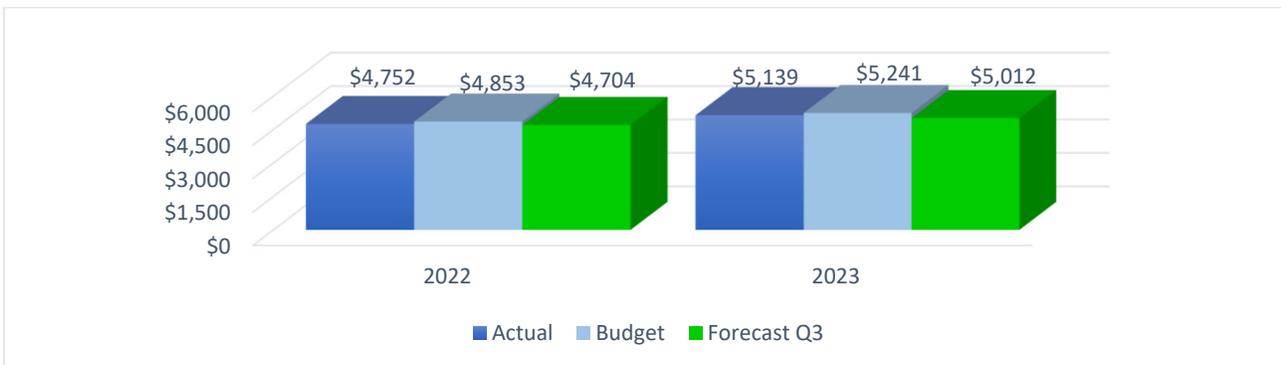
No significant variances anticipated in this area.

Office of the CAO



The unfavorable variance is due to an unbudgeted position. This position has been included in the 2024 Financial Plan.

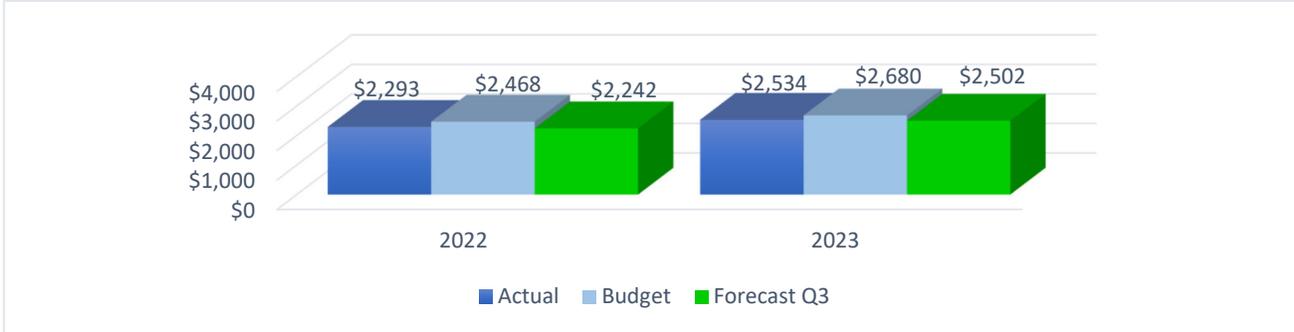
Community Safety & Corporate Services



No significant variances anticipated in this area.

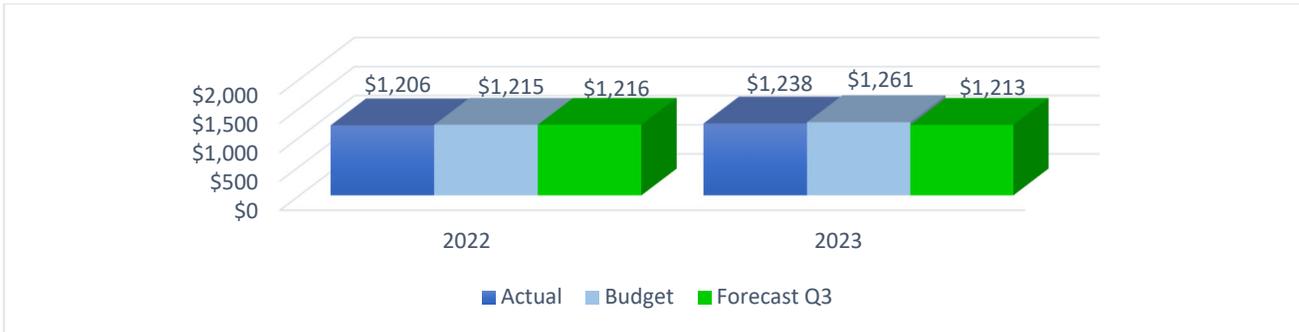
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Finance



The Finance department experienced several staffing vacancies leading to a projected favorable variance of \$146,000. Savings have been partially offset by additional casual staffing required in Purchasing. Vacancies are currently recruiting.

Human Resources



No significant variances anticipated in this area.

Engineering and Public Works



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The unfavorable variance is in line with what was projected during Q3 reporting and is due to a number of factors impacting department expenditures, including:

- Parks produced a negative variance by \$240,000 due to a focused vegetation removal, Japanese beetle control, two blitz's, additional planting material and additional hanging baskets for Veterans Park. Unanticipated costs also include the Aggie Park rental fence, Centennial Pool privacy fence, restoration of landscaping at PCCC left in poor condition by contractor
- Public Works fleet maintenance also produced a negative variance due to escalating supplies and materials costs by \$230,000. This also includes purchase of the new brine tank and additional ploughs for winter operations.
- Unplanned Works which is used to capture work outside of our service levels was also over budget by \$125,000.
 - Examples of such work includes: grip strips on various wooden walkways, Hazel Trembath support work, downtown cleanliness and streetlight painting; and
- Inflationary pressure on services and supplies.

Streets maintenance was slightly greater than budget. However, Snow and Ice removal costs were approximately on budget given lower than expected snow events while maintaining increased response levels.

Recreation



The unfavorable variance was primarily caused by events, recreation facilities and arena operations, including:

- The City put on several large, in-person public events in 2023 which led to a \$359,000 unfavorable variance. Significantly, the 100th May Days (\$138,000), Canada Day (\$86,000), Christmas light-up (\$59,000) and Remembrance Day ceremonies (\$25,000). Additional event costs were largely offset by increased revenues.

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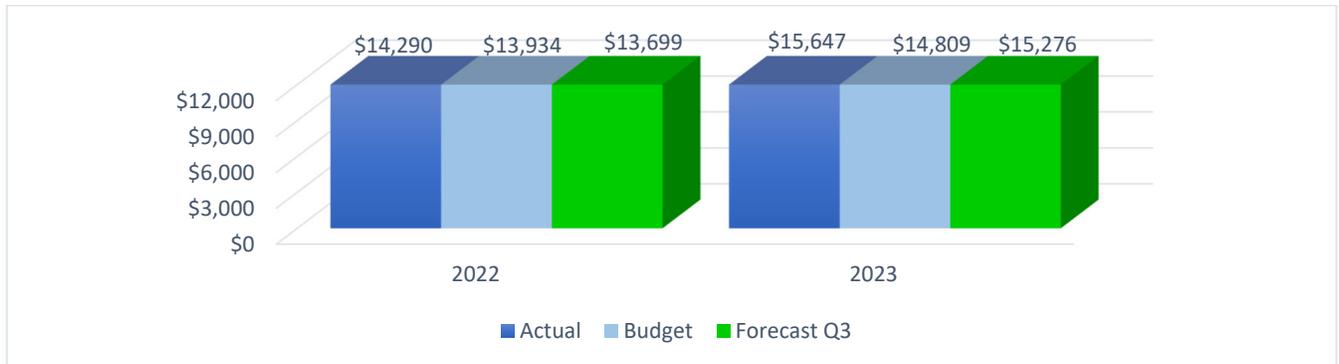
- Arena operations required additional staffing and supplies for more tournaments, high level sport games and events (\$226,000). Additional arena costs were partially offset by increased revenues.
- Recreation facilities experienced greater than anticipated contracted service costs due to a number of unforeseen repair and maintenance projects in 2023 (\$491,000).

Police Services



Based on the final report received from the RCMP, the contract costs were \$379,000 less than budget. This was primarily due to the cost share percentage for 2023 being 30.6% versus a 31.8%, however note that vacancies also contributed.

Fire & Emergency Services

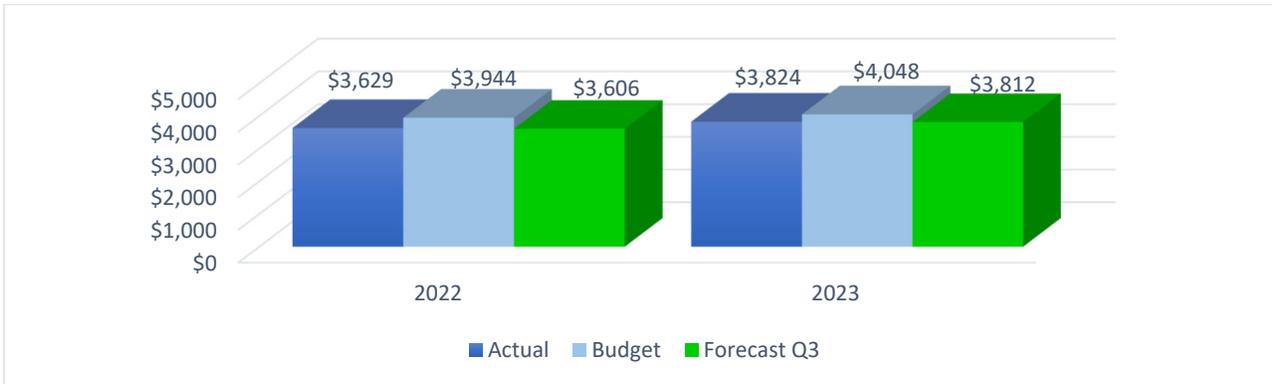


Amendments to the Employment Standards Act, compelling municipalities to now cover the costs of sick pay, has led to a \$150,000 unfavorable variance. Prior to March 2023, short term sick was funded by the IAFF union local.

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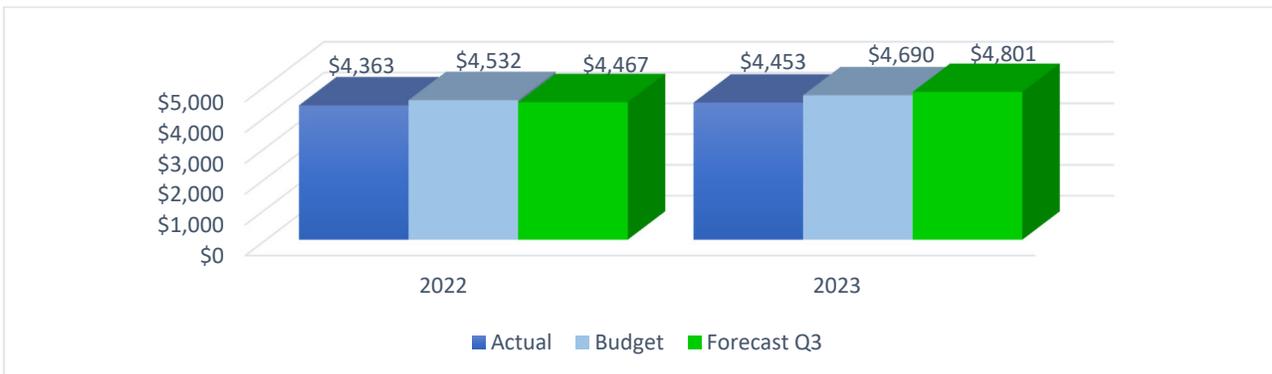
In addition, another significant driver of the variance is salary and benefit costs from the recently signed IAFF collective agreement (\$665,000) which were greater than budgeted. These higher labour costs were unanticipated in 2023, but have been accounted for in the 2024 budget.

Development Services



The favorable variance is due to several staffing vacancies in building and development engineering that are currently being recruited. 2023 Vacancies in Development Services have now largely been filled.

Solid Waste Operations



No significant variances anticipated.

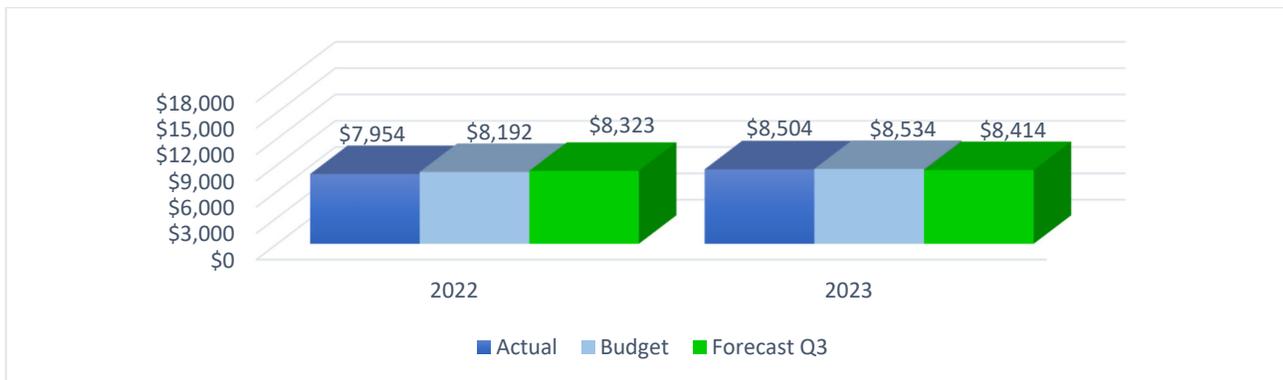
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Water Operations



No significant variances anticipated.

Sewer Operations



No significant variances anticipated.

ONE-TIME VARIANCE ANALYSIS

The 2023 one-time operating variance summary (attachment 1) details the actual one-time project expenses compared to the budgeted amounts at December 31, 2023. Several projects have been completed in 2023, including the DCC Bylaw project, the Master Transportation Plan, the Asset Management Strategy, the Climate Change Adaptation Strategy, the Hyde Creek Facility Assessment. A number of additional projects are in progress as of the date of this report, including the Land and Development Facilitator Contract, the Skytrain Feasibility Study, the Subdivision Bylaw, the Integrated Stormwater Management Plan, Invasive Species Management (Japanese Chafer Beetle), and Sports Hall of Fame and Festival Development.

The 2023, one-time operating costs compared to budget resulted in a positive variance of \$596,000 which is due to a number of projects still being ongoing at the end of 2023. Where projects will continue into 2024, the remaining budget will be carried forward.

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INVESTMENTS

At December 31, 2023, the City had \$211,007,000 in both short and long-term investments. The City's funds are invested in short-term cash equivalents, GICs and term deposits with chartered Canadian banks, credit unions, and the Municipal Finance Authority. These investments carry rates of return ranging from 3.25% to 6.85%. As of December 31st, 2023, the City's average return on investment was 4.85%, up from 3.04% in 2022 which has significantly increased the City's investment income and interest allocated to reserves.

Beginning in 2022, the Bank of Canada increased the overnight lending rate from a record low 0.25% in March 2022 to 5.00% in June 2023. Banks and credit unions increase their prime rates along with the Bank of Canada which enabled staff to invest City funds at higher rates of return. To ensure that cash is available for operations, staff time the maturity of investments in order to coincide with large payments and periods of lower cash flow during the year. Currently the Canadian inflation rate has dropped to 2.9%, consumer spending has slowed and the rate of unemployment has increased. The Bank of Canada has held the overnight lending rate in its policy announcements from mid-2023 onward signalling that the current fiscal tightening cycle is at its end. While the City has taken advantage of the higher rate environment by locking in some investments longer-term, there is an expectation that rate cuts will begin in summer 2024 and continue into 2025.

	Book Value	Average Maturity	Average Rate (%)
Chartered Bank	\$59,082,000	24.9 Months	5.72%
Credit Union	\$144,723,000	28.2 Months	5.53%
Municipal Finance Authority	\$7,202,000	Cashable	2.55%

2023 CAPITAL PLAN

The 2023 capital projects are presented within three main categories. Neighbourhood rehabilitation (NR) is intended to replace or renew existing civil infrastructure including roads, water, sewer, storm, pump stations, bridges, and all required appurtenances. Other rehabilitation is for all other capital renewal and replacement such as facilities, parks, recreation and software. The final category is for entirely new assets. This table shows the capital budgets, forecasts and variances at December 31, 2023 for projects completed in 2023 and still in progress in 2024.

Category	2023 Budget	2023 Forecast	Variance	%
NR	\$34,621,000	\$34,621,000	-	-
Other Rehabilitation	\$39,236,000	\$39,350,000	(114,000)	(2.9%)
New	\$3,337,000	\$3,327,000	\$10,000	0.3%
Total	\$77,193,847.63	\$77,298,056.09	(104,208.46)	(0.13%)

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Construction costs have continued to rise, however, staff worked through 2023 to prepare amendments and adjustments to the 2024 budgets to address the uncertainty and anticipated increases. Additionally, staff will continue to review and adjust unit prices annually. As presented, staff anticipate the program being substantially delivered with an insignificant variance of 0.13%.

Neighbourhood Rehabilitation

The NR program is made up of two subcategories: Roads and Utilities and Major Facilities. The 2023 Roads and Utilities program focussed on the downtown, central, western pocket bound by approximately Kingsway, Pitt River and the Coquitlam boundary and included the following projects:

1. Gordon Avenue: Lancaster Street to Raleigh Street;
2. Hughes Place: Patricia Avenue to north end;
3. Jervis Street: Kitchener Avenue to Gail Avenue;
4. Lancaster Street: Shaftsbury Avenue to Gordon Avenue;
5. Patricia Avenue: Hastings Street to Hughes Place; and
6. Patricia Avenue: Hughes Place to Graham Street.

The projects included road works, utility and streetlight installations, curb and gutter and sidewalk construction.

In addition to these locations, other highlights falling within the NR category and which have been completed in 2023 include: water blow off valve replacements year one, Eastern Drive PRV, streetlight expansions, flood mitigation at select locations, and several pump station designs.

Other Rehabilitation

The other category includes capital projects relating to Information Technology software and hardware, Parks upgrades, fleet replacement and upgrades, Fire, Policing, and Recreation. The Other Rehabilitation budget includes several of the City's larger and more noteworthy projects including the Civic Center Revitalization, Gates Park Development, park playground improvements and the fleet replacement program.

New

The new category in 2023, among others, included a new washroom at Blakeburn Lagoons, Cemetery Expansion, and a Terry Fox sculpture and exhibit.

FINANCIAL IMPLICATIONS

The overall 2023 operating surplus is \$2,729,000. Of this surplus, \$157,000 is related to the water fund, \$257,000 to the sewer fund and \$2,315,000 to the general fund. Of the \$2,315,000 general fund surplus, \$379,000 relates to the RCMP. If the minimum balance is met, 50% of the remaining surpluses may be allocated to long-term reserves based on the City's Surplus Policy.

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ATTACHMENTS

Attachment 1 - 2023 One-Time Operating Variance

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Contributing Author: Jason Daviduk