

2024 Q4 Financial Variance Report

RECOMMENDATION:

None.

REPORT SUMMARY

This report provides financial information regarding the City's operating activities for 2024 and compares forecasted third quarter and annual actual results to the 2024 amended budget.

The year-end ongoing operating results include a positive revenue variance of \$6,181,000 and a negative expense variance of \$1,763,000 from budget to actual. The year-end forecasted net result of operating revenues after expenses is \$27,405,000, which is \$4,418,000 more than the budget.

BACKGROUND

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

DISCUSSION

For 2024, budgeted operating revenues less expenditures were expected to generate \$22,987,000 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, greater than expected utilities charges (offset with expenses), higher permits and licenses collections, and larger than budgeted grants and sale of services revenue.

Expenses exceed the budget in the Recreation and Engineering and Public Works departments. Utilities costs are also higher than anticipated. These are partially offset by lower-than-anticipated costs in Common Services, Police, Fire, and Development Services. Recreation department and Utility expenses are also offset by higher-than-budgeted revenues.

| | 2024 Budget | 2024 Actuals | Annual Budget Variance | Variance as % of Budget | 2024 Q3 Forecast | 2024 Q3 Forecast as % of Budget |
|---------------------|---------------------|---------------------|------------------------|-------------------------|---------------------|---------------------------------|
| Operating Revenues | \$134,252,100 | \$140,433,524 | \$6,181,424 | 4.60% | \$138,955,518 | 103.50% |
| Operating Expenses | \$111,265,200 | \$113,028,451 | (\$1,763,251) | (1.58%) | \$113,419,760 | 101.94% |
| Surplus / (Deficit) | \$22,986,900 | \$27,405,073 | \$4,418,173 | 19.22% | \$25,535,758 | 11.09% |

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Revenues by Source

Total operating revenues for 2024 were \$140,434,000 and resulted in a \$6,181,000 or a 4.60% favourable variance from budget. The largest driver of the variance is rates of return on the City's investments. Penalties and fines, permits and licenses, and sale of services revenues were also greater than planned. Higher-than-anticipated government grants and utility charges (offset with expenses) also contributed 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 that show both the 2023 and 2024 budgets, actuals and Q3 forecasts for comparative purposes. All numbers in the supporting graphs are expressed in thousands.

| | 2024 Budget | 2024 Actuals | Annual Budget Variance | Variance as % of Budget | 2024 Q3 Forecast | 2024 Q3 Forecast as % of Budget |
|--------------------------------|----------------------|----------------------|------------------------|-------------------------|----------------------|---------------------------------|
| Taxation and Other Levies | \$85,504,380 | \$85,019,520 | (\$484,860) | (0.57%) | \$85,348,931 | 99.82% |
| Utility Charges | 30,510,600 | 31,572,260 | 1,061,660 | 3.48% | 31,182,510 | 102.20% |
| Sale of Services | 8,191,350 | 8,714,973 | 523,623 | 6.39% | 9,000,477 | 109.88% |
| Contributions | 2,097,400 | 2,545,780 | 448,380 | 21.38% | 2,487,896 | 118.62% |
| Permits and Licenses | 3,695,270 | 4,101,486 | 406,216 | 10.99% | 3,635,288 | 98.38% |
| Investment Income | 2,950,537 | 6,708,210 | 3,757,673 | 127.36% | 5,564,247 | 188.58% |
| Penalties and Fines | 706,000 | 1,037,310 | 331,310 | 46.93% | 941,796 | 133.40% |
| Other Revenue | 596,563 | 733,985 | 137,422 | 23.04% | 794,373 | 133.16% |
| Total Operating Revenue | \$134,252,100 | \$140,433,524 | \$6,181,424 | 4.60% | \$138,955,518 | 103.50% |

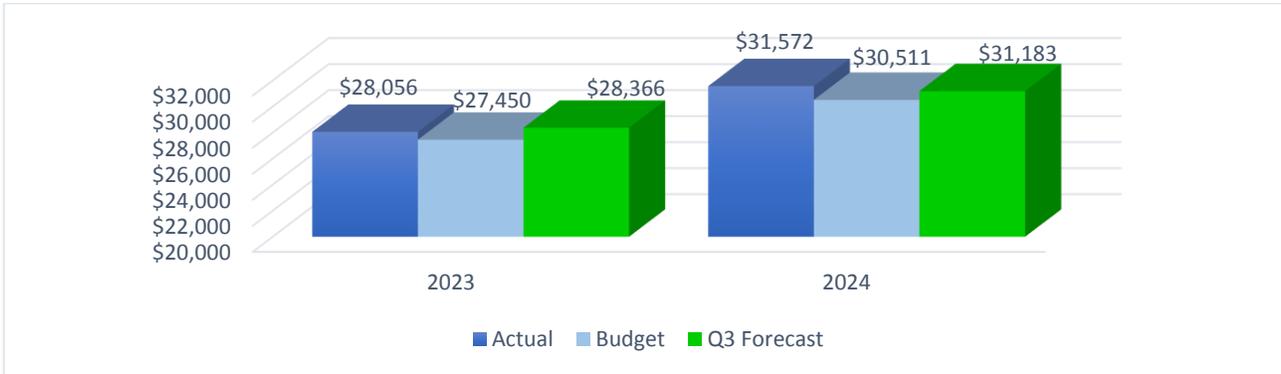
Taxation and Other Levies



No significant variances.

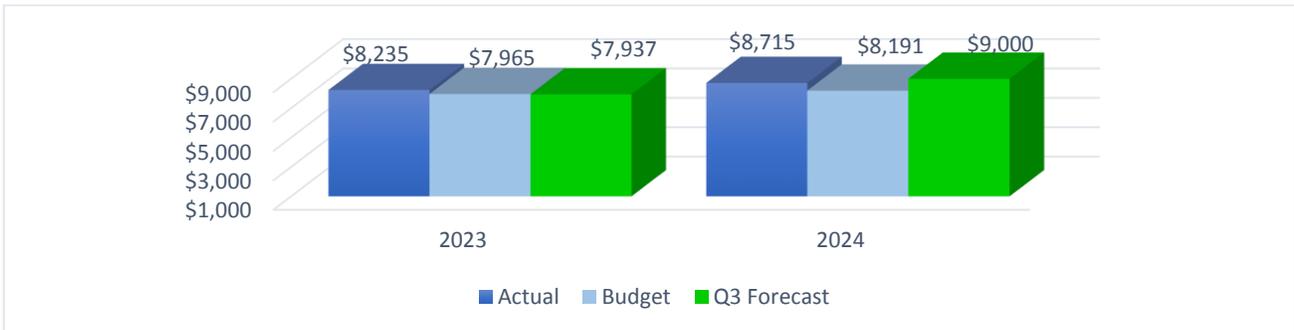
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Utility Charges (Water, Sewer and Solid Waste Fees)



Higher-than-anticipated water (\$560,000) and sewer (\$451,000) consumption produced a positive variance in utility charges. This variance offsets increased bulk water purchase expenses from Metro Vancouver.

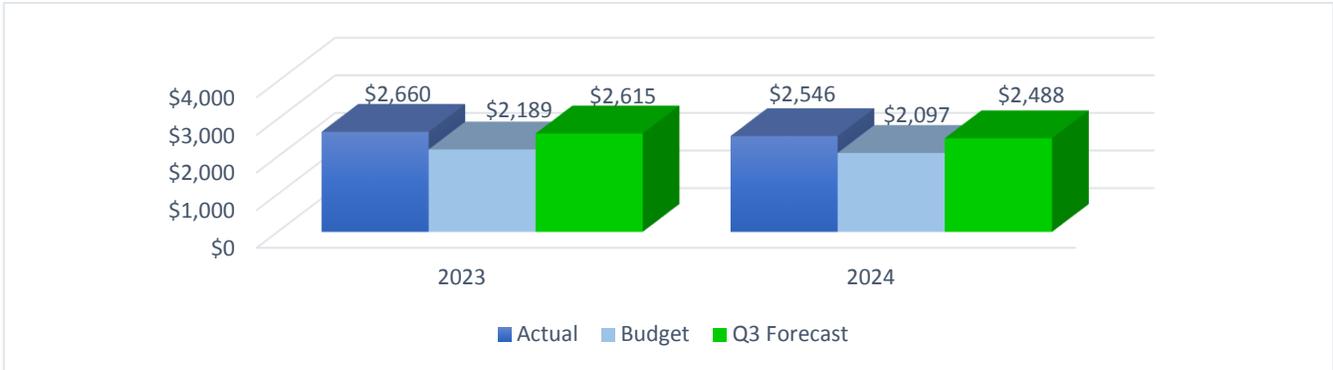
Sale of Services



Sale of services revenue includes 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. Sale of services revenue for 2024 is \$524,000 higher than the budget due to greater-than-anticipated usage of recreation facilities and programs (offset with expenses).

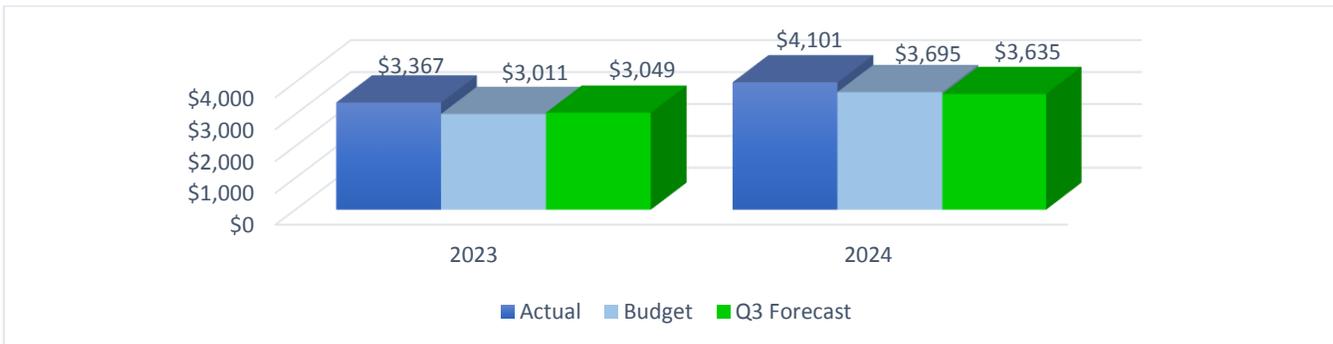
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Contributions



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 the budget as a result of the increased Local Government Climate Action Plan grant (\$239,000). Additionally, there were a larger than expected number of grants for community events and programs, which were \$156,000 greater than the budget (offset with expenses).

Permits and Licenses



This category includes items such as development permits, building permits, and business licenses. Greater than anticipated activity in building permits produced a \$440,000 positive variance from the budget.

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Investment Income



The favourable variance results from high (3.94%-6.30%) rates of return on the City's investments. Although the Bank of Canada cut its policy interest rate five times in 2024, the City anticipated this decrease, locking in a number of higher return investments to take advantage of the high-rate environment. A higher investment rate of return also increases interest allocated to reserve and development cost charge (DCC) funds.

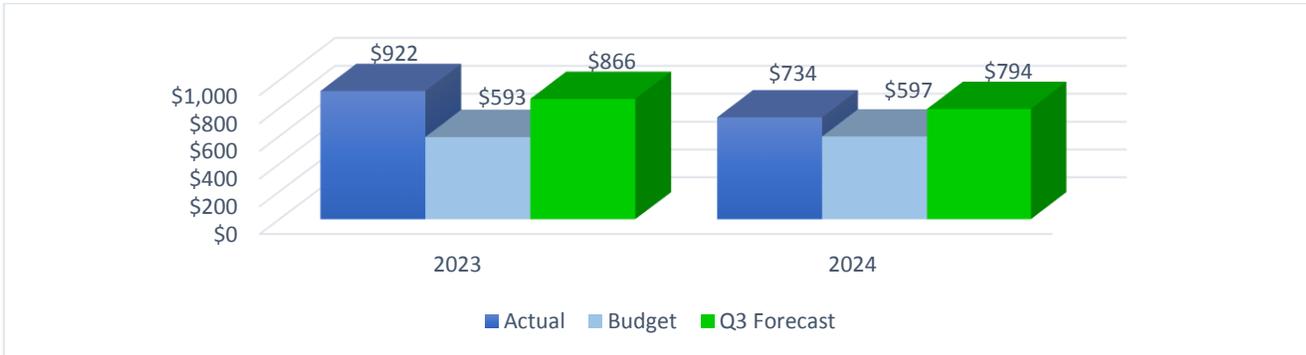
Penalties and Fines



Several large late payment penalties for property taxes and utilities have been levied, which generated a \$216,000 positive variance.

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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. In the third quarter of 2024, the City received a \$115,000 rebate from WorkSafe BC for the Certificate of Recognition Audit which contributed to the \$137,000 positive variance. 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

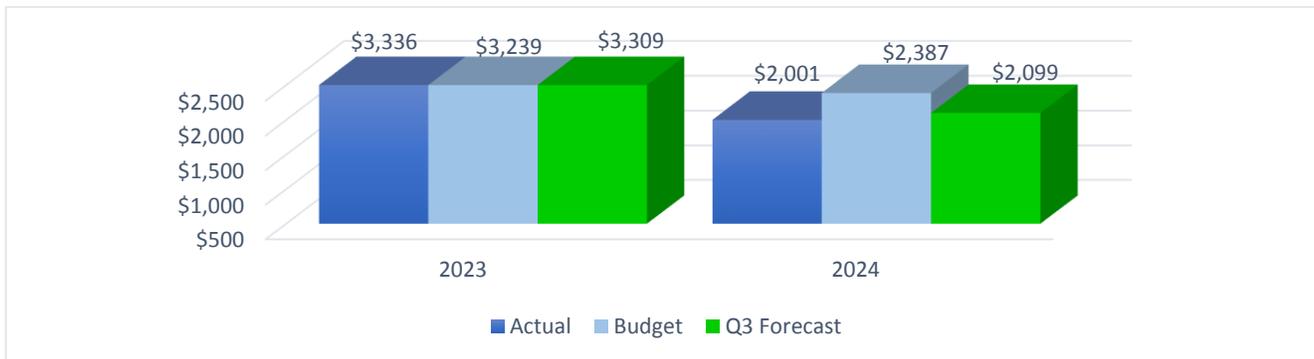
Overall, operating expenses were \$1,763,000 greater than the budget for 2024, which represents a 1.58% variance. Expenses were higher than the budget in Engineering, and Public Works, Utilities, and Recreation. These were partially offset with lower than lower-than-budgeted expenses in Common Services, Development Services, and RCMP contract costs.

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 2023 and 2024 budgets, actuals, and Q3 forecasts for comparative purposes. All numbers in the supporting graphs are expressed in thousands.

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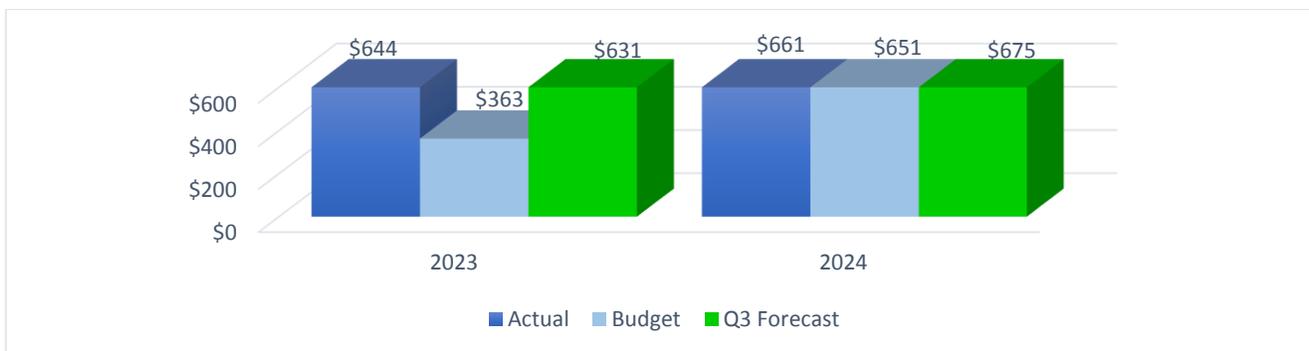
| | 2024 Budget | 2024 Q4 Actual | Annual Budget Variance | Variance as % of Budget | 2024 Q3 Forecast | 2024 Q3 as % of Budget |
|---|----------------------|----------------------|------------------------|-------------------------|----------------------|------------------------|
| Common Services | \$2,387,200 | \$2,000,965 | \$386,235 | 16.18% | \$2,099,027 | 87.93% |
| Office of the CAO | 650,800 | 660,860 | (10,060) | (1.55%) | 675,000 | 103.72% |
| Community Safety and Corporate Services | 5,861,100 | 5,931,915 | (70,815) | (1.21%) | 5,728,910 | 97.74% |
| Finance | 2,949,100 | 2,963,101 | (14,001) | (0.47%) | 2,943,474 | 99.81% |
| Human Resources | 1,339,300 | 1,328,520 | 10,780 | 0.80% | 1,372,890 | 102.51% |
| Engineering & Public Works | 10,910,700 | 11,888,010 | (977,310) | (8.96%) | 11,418,571 | 104.65% |
| Public Works Fleet | 1,629,000 | 2,229,120 | (600,120) | (36.84%) | 1,718,770 | 105.51% |
| Recreation | 17,361,900 | 19,017,290 | (1,655,390) | (9.53%) | 19,800,578 | 114.05% |
| Police Services | 19,694,500 | 18,215,370 | 1,479,130 | 7.51% | 19,079,300 | 96.88% |
| Fire & Emergency Services | 15,898,900 | 15,996,580 | (97,680) | (0.61%) | 15,625,865 | 98.28% |
| Development Services | 5,184,300 | 4,779,300 | 405,000 | 7.81% | 4,759,018 | 91.80% |
| Solid Waste Operations | 5,181,900 | 4,818,880 | 363,020 | 7.01% | 5,275,610 | 101.81% |
| Water Operations | 11,970,500 | 12,924,460 | (953,960) | (7.97%) | 12,668,717 | 105.83% |
| Sanitary Sewer Operations | 10,246,000 | 10,274,080 | (28,080) | (0.27%) | 10,254,030 | 100.08% |
| Total Operating Expenses | \$111,265,200 | \$113,028,451 | (\$1,763,251) | (1.58%) | \$113,419,760 | 101.94% |

Common Services



The favourable variance of \$386,000 is due to the expected 2024 earnings on principle payments the City has made on its debt, which offset the annual interest expense.

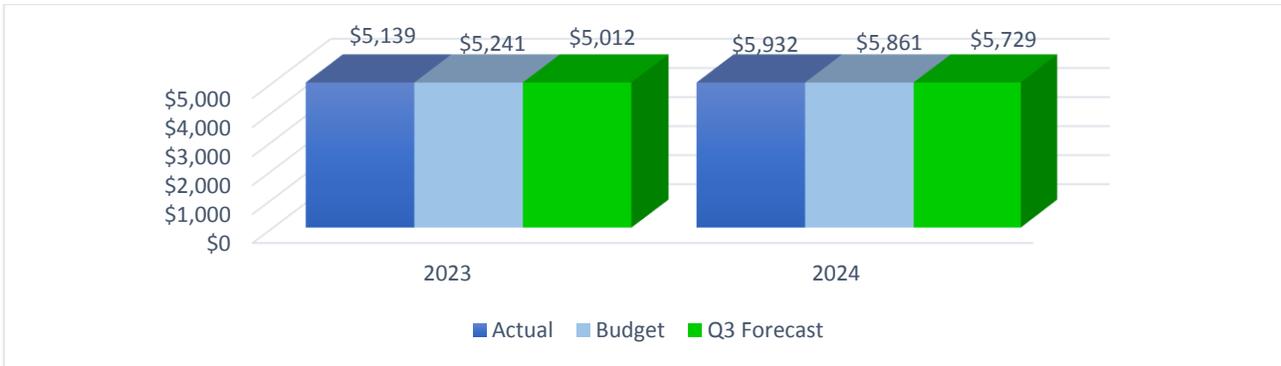
Office of the CAO



No significant variances.

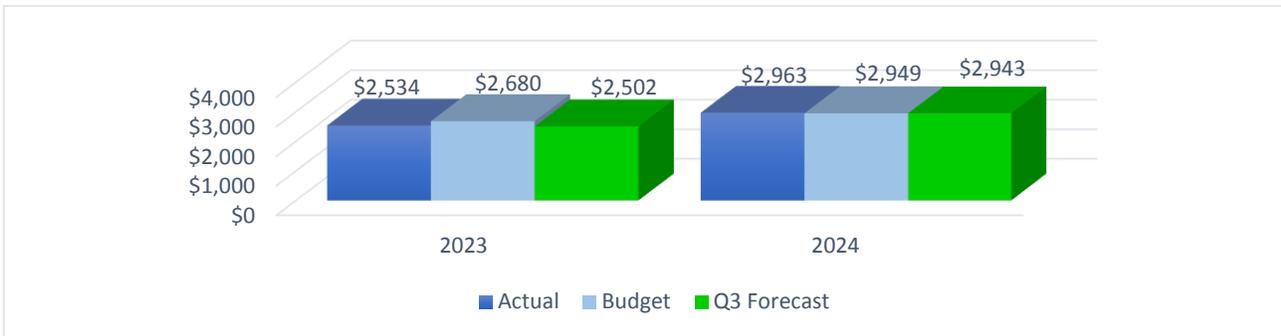
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Community Safety & Corporate Services



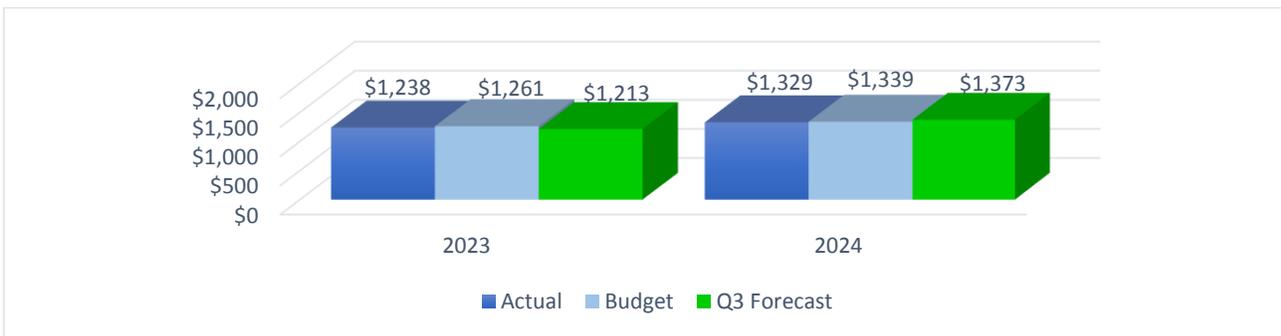
No significant variances.

Finance



No significant variances.

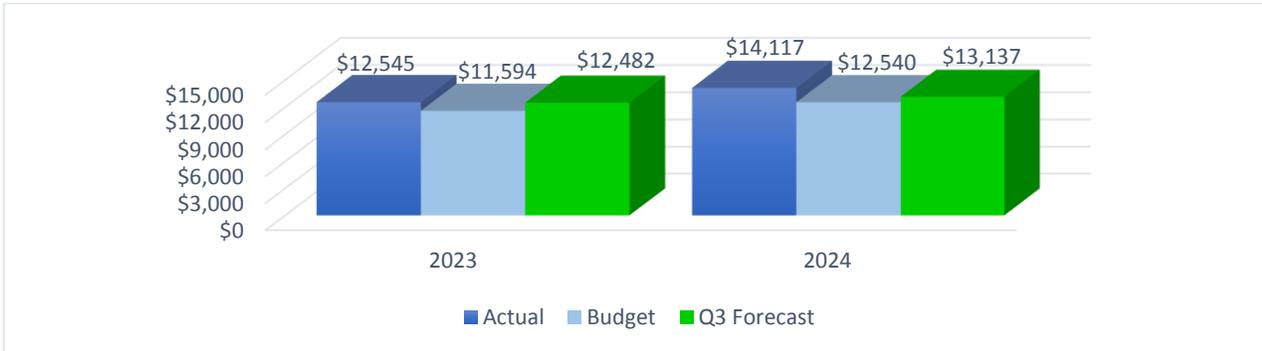
Human Resources



No significant variances.

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Engineering and Public Works



Inflationary pressures on services and materials continue to contribute to the variance and the \$1,577,000 variance is the result of several factors:

- Public Works fleet maintenance produced \$600,000 a negative variance largely due to several large equipment failures along with general escalation of supply/ materials and contractor costs.
- There was a variance of \$200,000 in streets and drainage due to need for increased storm response and flood mitigation activities and increased boulevard median maintenance, road markings and a focus on overall cleanliness. Unplanned Works, which is used to capture work outside of core services cost another \$188,000.
- Parks had a negative variance of \$33,000 due to increased vegetation removal related to clearance and sightline safety, streetscape enhancements and expanded planting areas. An increase in park and trail usage and frequent weather events resulted in higher than budgeted costs related to loss of trees and damages to trail surfaces.
- Health and safety training, departmental overhead (eg. banked overtime from the atmospheric river event, snow response and watermain breaks) related to the various Sections in Public Works had a negative variance of approximately \$461,000.

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Recreation



The \$1,655,000 variance in Recreation costs, which was partially offset with higher than budgeted revenues, is driven by several factors:

- Emergency repairs and ongoing day-to-day maintenance to facilities including significant repairs and cleaning to Hyde Creek Recreation Centre, Port Coquitlam Community Centre and Outdoor Pools (\$658,000). There were also some one-time staffing costs associated with the pool air quality review to comply with Work Safe BC orders.
- Arena and facilities operations required additional staffing and supplies specifically for concessions to meet customer demand during increased tournaments, high-level sport games and larger events (\$249,000). Additional arena costs were offset by increased revenues.
- Increased demand for programs and usage at the Port Coquitlam Recreation Centre led to a \$332,000 negative variance from budget. This also included Active Net fees that were greater than the budget. This variance was more than offset by corresponding increases in revenue.
- The City put on several large public events in 2024, which produced a \$494,000 unfavorable variance. The majority of this variance is from May Day (\$172,000), Canada Day (\$150,000), and Car Free Day (\$92,000). These additional costs have been partially offset by higher-than-expected revenues.

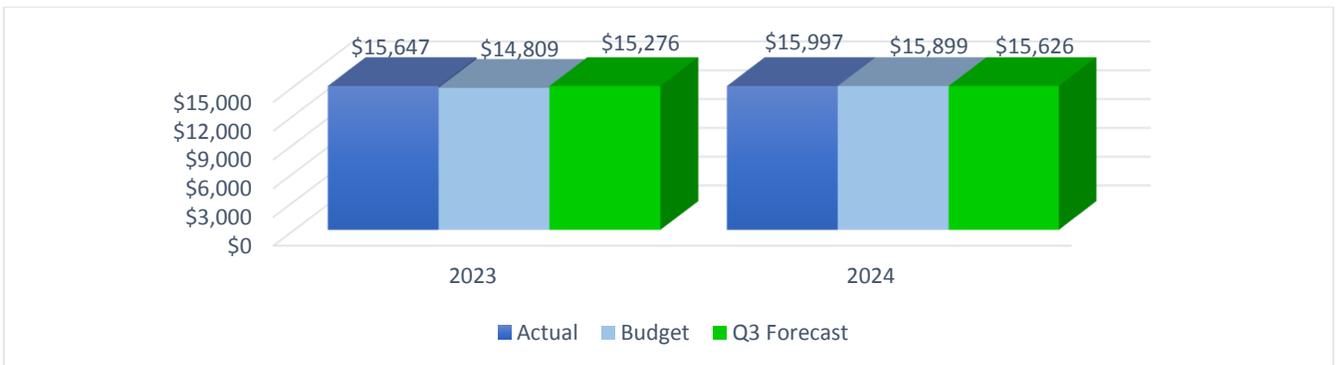
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Police Services



Based on the 2024 final report received from the RCMP, the contract costs were \$1,479,000 less than the budget. The variance is due to staff vacancies and the joint detachment cost share percentage finishing the year less than budgeted (29.7% actual versus 30.8% budget).

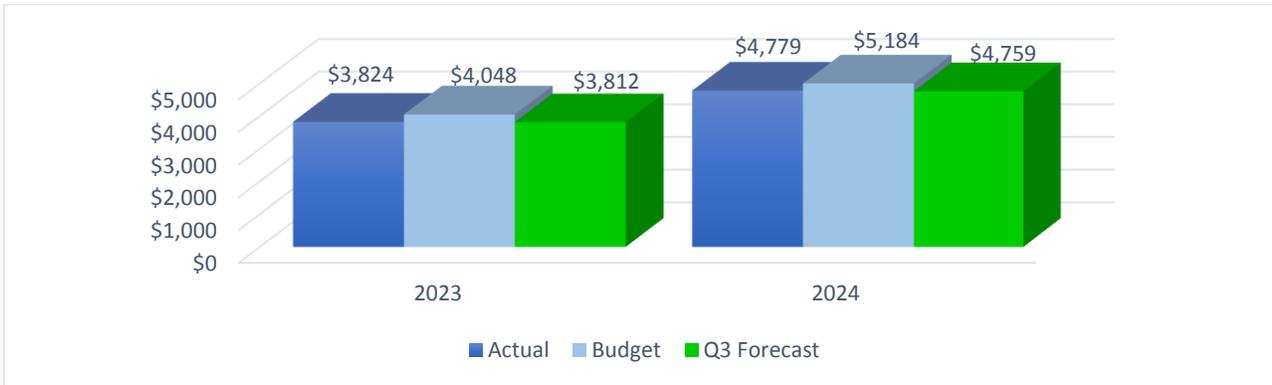
Fire & Emergency Services



No significant variances.

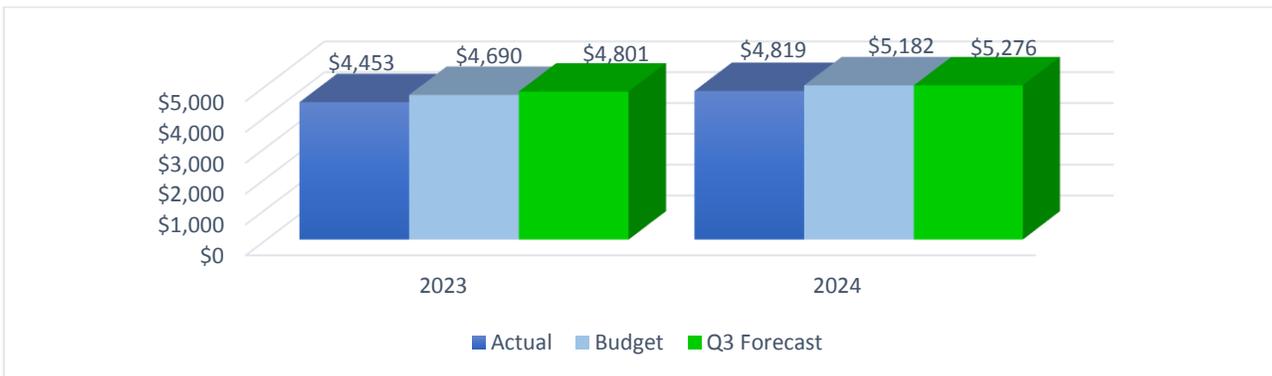
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Development Services



The \$405,000 favorable variance is due to several staffing vacancies that are currently being recruited and filled in 2025.

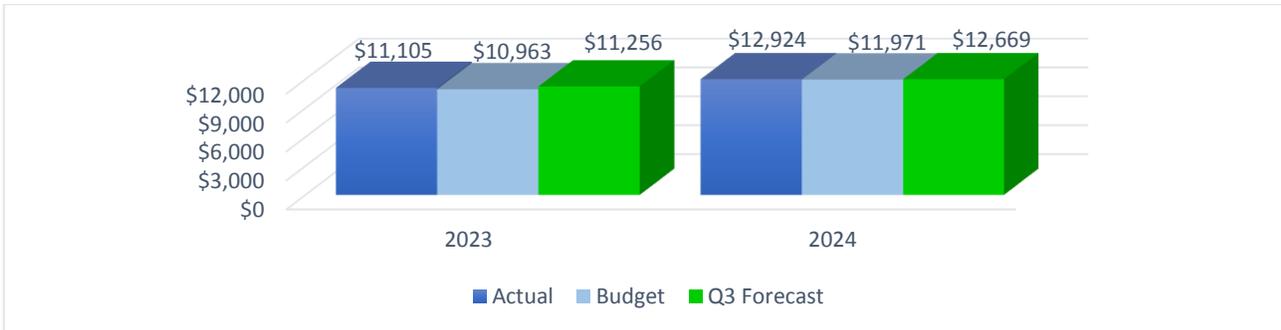
Solid Waste Operations



The positive variance is due to lower-than-anticipated tipping fee expenses for garbage (\$182,000) and green waste (\$193,000).

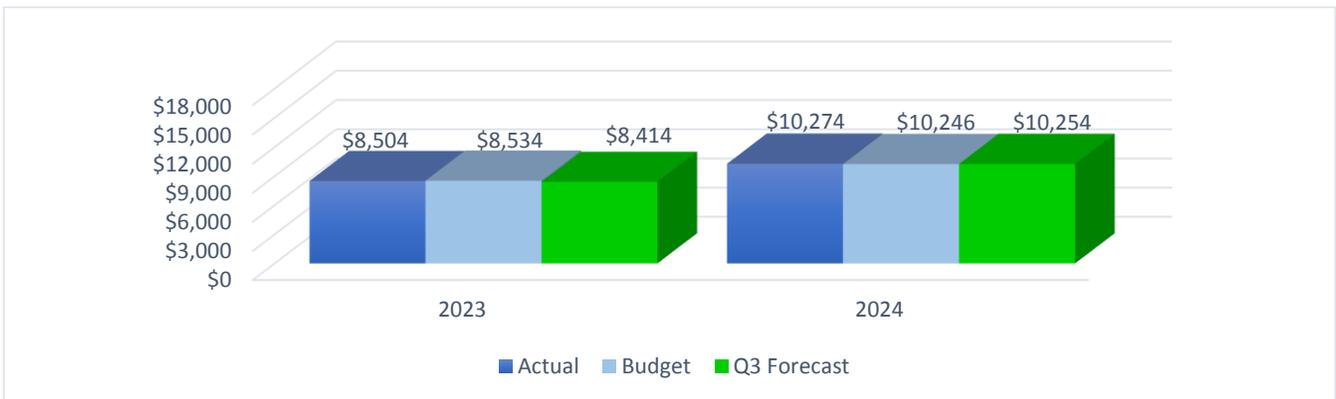
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Water Operations



This variance is due to higher-than-anticipated water usage (\$810,000), which is partially offset with greater than expected water revenues. Several operational costs, such as fire hydrant maintenance (\$64,000) and general maintenance (\$79,000) were also greater than the budget.

Sewer Operations



No significant variances.

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ONE TIME VARIANCE ANALYSIS

The 2024 one-time operating variance summary (Attachment 1) details the one-time project expenses compared to the 2024 budget. Several projects were completed in 2024, including the Integrated Stormwater Management Plan, Invasive Species Management, Hyde Creek Facility Condition Assessment and the Climate Change Adaptation Strategy. A number of additional projects are in progress, including the Land and Development Facilitator Contract, Local Government Housing Initiatives, the Building Permit Process Review, the Official Community Plan Update, North Side Development, Skytrain Feasibility Study and Asset Management Strategy. The pilot Solid Waste Utility Bulky Item (large item) pickup has completed and was provided ongoing funding in 2025.

The 2024, one-time operating costs compared to budget resulted in a positive variance of \$950,000 which is due to a number of projects still being ongoing at the end of 2024. Where projects will continue into 2025, the remaining budget will be carried forward. Projects completed in 2024 will have any remaining budget released into accumulated surplus.

INVESTMENTS

At December 31, 2024, the City had \$224,430,000 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 3.94% to 6.30%. The City's average return on investment was 5.57%, up from 4.85% in 2023 which has increased the City's investment income and interest allocated to reserves.

The Bank of Canada cut the overnight lending rate by 0.25% in each of its June, July, and September policy announcements and a further 0.50% in both October and December. At December 31, 2024, the policy interest rate was 3.25%, and it is now at 2.75%.

While the City has taken advantage of the higher rate environment by locking in some investments longer-term, it is likely that rates of return and investment revenue will decrease substantially in future years. As such, investment revenue cannot be relied upon as a longer-term driver of revenue surpluses.

| | Book Value | Average Maturity | Average Rate (%) |
|-----------------------------|---------------|------------------|------------------|
| Chartered Bank | \$64,798,000 | 30.1 Months | 5.67% |
| Credit Union | \$152,254,000 | 33.8 Months | 5.48% |
| Municipal Finance Authority | \$7,378,000 | Cashable | 2.42% |

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FINANCIAL IMPLICATIONS

The overall 2024 operating surplus is \$4,418,000 up from \$3,749,000 projected at Q3. This surplus is comprised of a \$394,000 deficit in the water fund, a \$423,000 surplus in the sewer fund, and \$4,268,000 to the general fund. Of this balance, \$1,479,000 will be recommended for transfer to the RCMP reserve, as per past practice, with the remaining \$2,789,000 to be allocated by the Accumulated Surplus Policy. If the minimum balance is met, 50% of the remaining annual surpluses will be recommended to be allocated to long-term reserves based on the City's Surplus Policy.

ATTACHMENTS

Attachment 1: 2024 One-Time Operating Variance Report

Lead author(s): Matthew Mydske