

REPORT
***Office of the Chief Administrative Officer
and
Finance Department***

To: Mayor Johnstone and Members of Council
Date: July 8, 2024

From: Lisa Spitale
Chief Administrative Officer
File:

Shehzad Somji
CFO/Director of Finance

On behalf of the Senior Management Team
Item #: 2024-448

Subject: 2024 Capital and Operating Quarterly Performance Report

RECOMMENDATION

THAT Council approve the **\$18.7M** 2024 quarterly capital budget adjustments and **\$199.1M** Proposed Revised Multi-Year Capital budget.

PURPOSE

To provide quarterly updates to Council on the Operating and Capital Budget and Major Project/Program Spending performance and to seek Council's approval of the proposed 2024 Capital Budget Adjustment and Revised 2024 Multi-Year Capital Budget: (1) Adjust for net budget increases of \$18.7M; and (2) Approve the Proposed Revised Multi-Year Capital Budget of \$199.1M.

EXECUTIVE SUMMARY

The enclosed report and attachments provide a financial update on the City's 2024 Budget and Financial Plan. The Multi-Year Capital Budget of \$180.4M consists of

\$151.9M of projected 2024 capital spend, and the City has spent \$7.7M and committed over \$46.1M to major projects and capital program spending as of March 31st. A total of \$19.3M capital budget adjustment is required, of which \$0.6M is fully offset by savings/scope change of other projects within the same year, resulting in a net proposed adjustment of \$18.7M for the current quarter. This is inclusive of \$17.2M of adjustments for 2023 budget carryforwards as the City progresses through the multi-year capital programs.

The Operating Budget is trending favourably as of March 31st, with the Operating Revenue Budget of \$310.7M performing ahead of expectations, resulting in a projected favourable position of \$2.0M by year-end. This is partially offset by the Operating Expenditure Budget of \$272.8M which is trending unfavourably, with a projected unfavourable position of \$1.3M by year-end.

The City is proactively monitoring and addressing financial risks while implementing measures to ensure the ongoing financial health and sustainability of the City.

BACKGROUND

The 2024 Budget and Five Year Financial Plan were approved in March 2024, reflecting the City's commitment to financial sustainability and aligning with its core values and strategic priorities. The budget process involved each Department Head presenting their respective budgets and outlining their initiatives for 2024. This demonstrated a transparent approach to delivering services. For 2024, Council has approved the Operating Expenditure Budget of \$272.8M and the Multi-Year Capital Budget of \$180.4M during the annual budgeting process. The Multi-Year Capital Budget projected at \$151.9M will be spent in 2024 and the remaining balance will be spent within the next four years.

To maintain flexibility and transparency, the Finance Department regularly provides financial performance reports to Council and seeks approval for any necessary budget adjustments throughout the year. This allows for timely reporting on operating financial performance, capital project status and potential advancements or deferrals, and incorporation of Council's feedback on project adjustments or new initiatives.

The quarterly monitoring and reporting process serves as a best practice, acknowledging that changes can occur within a fiscal year. It ensures that Council is well informed, facilitates consultation on needed changes, and enhances transparency and financial oversight. This approach supports a seamless transition into future budget cycles and updates to the Five Year Financial Plan.

QUARTERLY CAPITAL REPORT

Capital projects and program spending can span over multiple years; therefore, budgets can be larger than the actual annual spend due to the need to complete the procurement strategy and contract awards ahead of time. As per the Community Charter and the City’s Procurement Policy, the City’s budgets must be in place before contracts are committed.

The current 2024 Approved Multi-Year Capital Budget is \$180.4M, of which \$151.9M was projected to be spent in 2024 with the balance to be spent within the next four years.

As at March 31st, a total of \$19.4M quarterly capital budget adjustment is required of which \$17.2M are 2023 budget carryforward adjustments, \$0.6M is fully offset by savings/scope change of other projects in the same year, leaving a net proposed current quarter adjustment of \$1.5M from reallocating work from future years of the capital plan to the current year budget to accommodate for business needs.

Table 1-1 is a summary of the adjustments, which bring us to the Proposed Revised 2024 Multi-Year Capital Budget of **\$199.1M**.

Table 1-1

Multi-Year Capital Budget Adjustment Summary (in millions)			
2024 Approved Multi-Year Capital Budget	2023 Year-End Carryforward Adjustment	2024 Q1 Quarterly Adjustment	2024 Proposed Multi-Year Capital Budget
\$ 180.4	\$ 17.2	\$ 1.5	\$ 199.1

Attachment 1 provides a comprehensive list of items by project or program with capital expenditures as at March 31st. This attachment also includes projects that staff have proposed adjustments to the 2024 Approved Multi-Year Capital Budget.

As at March 31st, the City’s total capital expenditure is \$7.7M and has over \$46.1M in open purchase order commitments to span spending over multiple years. Capital expenditures continue to trend upward as the annual budget was approved in the first quarter of this year.

See **Table 1-2** for a summary of the Capital Expenditures – All Funds

Table 1-2

Capital Expenditure Summary (in millions)				
2024 Projected Capital Spend Budget	2024 Updated Annual Forecast	2024 Spend to Date	2024 PO Commitment to Date	Spent and Committed % to Date
\$ 151.9	\$ 148.8	\$ 7.7	\$ 46.1	35.5%

Major Projects Highlight and Status Update:

- **\$13.8M Advance Metering Infrastructure (AMI)** – as at March 31st, the forecasted spend is \$13.8M including \$0.6M carrying over from 2023. User Acceptance Testing for Residential Meters is complete and the project is progressing to Pilot Program Q3 2024.
- **\$13.0M Aquatic & Community Centre (TACC)** – as at March 31st, the forecasted spend is \$13.0M including \$9.9M carrying over from 2023. Facility construction is nearly complete and construction of Phase 2 site work is well underway. Invoices for furniture, fixtures and equipment continue to be processed as inventory is received and installed. Offsite work are in detail design for tender in Q2.
- **\$9.6M West-End Sewer Separation Program** – as at March 31st, the forecasted spend is \$9.6M. Archeological requirements for the site have delayed the project slightly, but the renewed procurement strategy implemented will leverage efficiencies, allowing this multi-year program to remain on target. A contractor has been appointed and has mobilized to site.
- **\$9.2M West-End Watermain Repair Program** – as at March 31st, the forecasted spend is \$9.2M. Archeological requirements for the site have delayed the project slightly, but the renewed procurement strategy implemented will leverage efficiencies, allowing this multi-year program to remain on target. A contractor has been appointed and has mobilized to site.
- **\$6.0M Massey Theatre Renovation** – as at March 31st, the forecasted spend has been reduced from \$15.M to \$6.0M based on the detailed construction scope and schedule developed in collaboration with the project team and Massey Theatre to reduce impact on their operations. Detailed construction drawing package will be ready for tender starting in Q2.
- **\$4.4M Pavement Management Program** – as at March 31st, the forecasted spend is \$4.4M including \$0.3M carrying over from 2023. The 2023 repaving works are complete. The 5-year Pavement Management Assessment (PMA) study RFP has been issued and is in the process of being awarded. The 2024 pavement program will commence in Q3 2024.
- **\$4.2M Sixth Street Great Street** – as at March 31st, the forecasted spend is \$4.2M. Final design is nearing completion, with final details being confirmed with community stakeholders. Construction is expected to begin in early fall.
- **\$3.7M Active Transportation Network Plan (ATNP)** – as at March 31st, the forecasted spend is \$3.7M. Two Year 1 ATNP projects (Boyd Street and 7th Avenue west of Moody Park) are currently nearing final design for construction to begin later in 2024. Some Year 1 projects are likely to be deferred to 2025. Year 2 ATNP projects will be initiated in Q3 2024.

- **\$3.5M Sewer Rehabilitation Program** – as at March 31st, the forecasted spend is \$3.5M. The 2023 sewer rehabilitation program is currently under way, and the planning and design of the 2024 program is almost complete.
- **\$3.4M Westminster Pier Park Expansion** – as at March 31st, the forecasted spend is \$3.4M.
- **\$2.2M Crosstown Greenway Construction** – as at March 31st, the forecasted spend is at \$2.2M. This project is being coordinated with a Metro Vancouver watermain project, which is now getting underway. Construction start of the greenway project is to be determined, but may be deferred to 2025 depending on completion of Metro’s work.
- **\$1.0M Sapperton District Energy** – as at March 31st, the forecasted spend has been reduced from budget of \$7.1M to \$1.0M. Consultants are completing the design to 30% in order to determine a Class C cost estimate for phase 1 site development.

QUARTERLY OPERATING REPORT

The Operating Budgets provide annual funds for essential City Services such as Public Safety, Parks & Recreation, Library Services, and more. These budgets also propose Property Tax and Utility rates to sustain Operating Expenditures and contribute to infrastructure renewal.

As at March 31st, the 2024 Approved Operating Revenue Budget of \$312.1M is surpassing expectations by \$1.4M, driven mainly by higher than anticipated Utility Rates income and Interest Income. The 2024 Approved Operating Expenditures of \$272.8M are trending higher than budget by \$1.3M mainly due to higher than anticipated Contracted Services and Supplies and Materials costs.

The Operating Budgets face a number of potential risks and pressures that should be highlighted. There also continues to be significant challenges arising from staffing shortages and the need to fill vacancies. While savings in salaries are being actualized, the strain on staffing and recruitment expenses and increasing WorkSafeBC premiums are impacting the city budgets. Vulnerability to climate emergency events and inflationary price increases in supplies and materials continue to put pressure on expense accounts.

See **Table 2-1** for a summary of the Operating Revenues – All Funds

Table 2-1

Operating Revenue (in millions)	2024 YTD	2024 YTD	2024 YTD	2024 Annual	2024 Annual	Forecast vs
	Budget	Actual	Variance	Budget	Forecast	Budget Variance
Taxation Revenue	\$ (0.12)	\$ (0.12)	\$ 0.00	\$ 114.24	\$ 114.24	\$ 0.00
Utility Rates	\$ 58.98	\$ 60.06	\$ 1.08	\$ 115.58	\$ 116.50	\$ 0.92
Sale of Services	\$ 4.05	\$ 4.19	\$ 0.14	\$ 19.15	\$ 19.53	\$ 0.38
Grants from Other Governments	\$ 0.73	\$ 1.66	\$ 0.93	\$ 7.37	\$ 7.40	\$ 0.03
Other Revenue	\$ 6.42	\$ 6.51	\$ 0.09	\$ 30.18	\$ 30.75	\$ 0.58
Contribution Revenue	\$ 4.30	\$ 0.46	\$ (3.84)	\$ 24.23	\$ 23.69	\$ (0.54)
Total Revenue	\$ 74.36	\$ 72.76	\$ (1.61)	\$ 310.75	\$ 312.12	\$ 1.37

As at March 31st, the City's total **actual operating revenues are \$72.8M** vs the estimated budget of \$74.4M. This is primarily due to lower than planned Contribution Revenue due to timing of the revenue received and the timing of capital spending, and are partially offset by a higher than planned utility rates revenue. Staff are forecasting revenue to be \$1.4M over the 2024 annual budget by year-end due to higher than planned utility rates revenue and bank interest income.

Major Revenue Highlight and Status update at the end of the First Quarter:

- **Taxation Revenues:** Property Tax Revenue will be recorded when notices are issued in May. The due date for payment of property taxes is July 2, 2024.
- **Utility Revenues:** YTD Utility Rates Revenue is \$1.1M higher than budget to date mainly due to higher than anticipated commercial water consumption and increasing number of utility accounts. Staff are forecasting a slight increase of \$0.9M from budget in annual revenues for the year.
- **Sale of Services:** YTD Sale of Services Revenue is \$0.1M higher than budget to date mainly due to higher than anticipated parking revenue collected. Staff are forecasting a \$0.4M increase in Sale of Services by the end of year from the continued trend in parking revenue collection.
- **Grants from Other Governments:** YTD Government Grants is \$0.9M higher than budget to date due to timing of grants received. Annual forecast is largely in line with the 2024 budget.
- **Other Revenue:** YTD Other Revenue is largely in line with the 2024 budget. Staff are forecasting a \$0.6M increase in Other Revenue by the end of year from higher than anticipated permit revenues and higher trending bank interest income.
- **Contribution Revenue:** YTD Contribution Revenue is \$3.8M lower than budget to date due to timing of the revenue received and capital spending. Staff are forecasting a \$0.5M decrease from budget by end of year as we progress through the budgeted capital spending.

See Table 2-2 for a summary of the Operating Expenditures – All Funds

Table 2-2

Operating Expenses (in millions)	2024 YTD	2024 YTD	2024 YTD	2024 Annual	2024 Annual	Forecast vs
	Budget	Actual	Variance	Budget	Forecast	Budget Variance
Salaries/Benefits/Training	\$ 32.69	\$ 27.10	\$ 5.59	\$ 126.76	\$ 126.62	\$ 0.14
Contracted Services	\$ 3.95	\$ 4.02	\$ (0.07)	\$ 27.91	\$ 28.56	\$ (0.65)
Supplies and Materials	\$ 3.16	\$ 3.11	\$ 0.05	\$ 13.66	\$ 14.32	\$ (0.65)
Cost of Sales	\$ 0.41	\$ 0.30	\$ 0.11	\$ 1.72	\$ 1.64	\$ 0.08
Grants	\$ 0.28	\$ 0.48	\$ (0.20)	\$ 1.14	\$ 1.14	\$ (0.00)
Insurance and Claims	\$ 1.18	\$ 1.06	\$ 0.13	\$ 4.94	\$ 4.86	\$ 0.08
Amortization	\$ 7.64	\$ 7.64	-	\$ 30.57	\$ 30.57	-
Utility Purchases and Levies	\$ 11.75	\$ 10.83	\$ 0.91	\$ 59.10	\$ 59.04	\$ 0.06
Interest and Bank Charges	\$ 2.11	\$ 2.78	\$ (0.68)	\$ 6.94	\$ 7.29	\$ (0.34)
Total Expenses	\$ 63.18	\$ 57.33	\$ 5.84	\$ 272.74	\$ 274.03	\$ (1.29)

As at March 31st, the City’s total **actual operating expenditures are \$57.3M** spent which is \$5.8M less than planned, much of which can be explained by the misalignment of annual budget approval and actual spending projections. Staff are forecasting total expenditures to be \$1.4M over the 2024 annual budget, as recruitment resources are underway to fill vacancies.

Major Expenses Highlight and Status update at the end of the First Quarter:

- **Salaries/Benefits/Training:** YTD Salaries/Benefits/Training expenses are \$5.6M lower than budget to date mainly due to the timing of recruitments and the annual budget approval in Q1. Recruitment efforts are underway and staff are expecting expenditures to be largely in line with budget by year-end.
- **Utility Purchases and Levies:** YTD Utility Purchases and Levies expenses are \$0.9M lower than budget to date mainly due to the timing of Hydro billing. Staff are forecasting expenditures to be largely in line with budget by year-end.
- **Interest and Bank Charges:** YTD Interest and bank charges are \$0.7M higher than budget to date primarily due to timing of debt coupon payments.

Attachment 2 is a list of individual department operating memos which provide detailed analyses of the department’s quarterly operating results and year-end forecast.

MAJOR PURCHASE REPORT

The City's Procurement Policy requires staff to report back to Council on all contracts awarded during the period in excess of \$100,000 and all sole source awards in excess of \$50,000.

For the quarter ending March 31, 2024, the Purchasing Division was involved in the preparation and administration of 17 competitive bid documents. Also for this period, the Purchasing Division identified 16 awards, purchase orders, or change orders that met the parameters of this report requirement (***Attachment 3***). Of these, 7 were competitive contract awards, 6 were sole source awards, and 3 were change orders to an existing contract.

A list of all contracts or change orders awarded can be found in Attachment 3.

INTERDEPARTMENTAL LIAISON

All City departments have collaborated in this report.

OPTIONS

There are two options for Council's consideration:

Option 1: THAT Council approve the \$18.7M 2024 quarterly capital budget adjustments and \$199.1M Proposed Revised Multi-Year Capital budget.

Option 2: THAT Council provides staff with further direction.

Staff recommend Option 1.

ATTACHMENTS

Attachment 1 – Capital Budget Spent to date and Proposed Quarterly Adjustments

Attachment 2 – Quarterly Department Operating Memos

Attachment 3 – Quarterly Major Purchases Report

APPROVALS

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