

REPORT

Finance Department

To: Mayor Johnstone and Members of Council
Date: September 23, 2024

From: Shehzad Somji
CFO/Director of Finance
File: 2551358

Item #: 2024-517

Subject: **2024 Capital and Operating Quarterly Performance Report**

RECOMMENDATION

THAT \$0.7M 2024 quarterly capital budget adjustments and \$199.8M Proposed Revised Multi-Year Capital budget be approved.

PURPOSE

To provide quarterly updates to Council on the Operating Budget, 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 \$0.7M; and (2) Approve the Proposed Revised Multi-Year Capital Budget of \$199.8M.

EXECUTIVE SUMMARY

The Approved Revised Multi-Year Capital Budget is \$199.1M, of which the City has spent \$21.2M and committed an additional \$42.8M to major projects and capital program spending as of June 30th. A total of \$1.3M capital budget adjustment is required in the second quarter of 2024, 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 \$0.7M for the current quarter. The City is forecasting the 2024 annual capital program expenditure to be \$113.8M by year-end.

The Operating Budget is trending favourably as of June 30th, with the Operating Revenue Budget of \$310.8M trending in line with expectations. 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 the 2024 annual capital spending to be \$151.9M, and the remaining balance will be spent within the next four years. For the first quarter of 2024, Council has approved an increase of \$18.7M to the Multi-Year Capital Budget, primarily from a \$17.2M adjustment for 2023 capital budget carryforwards, bringing the current approved Multi-Year Capital Budget to \$199.1M.

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 Revised Multi-Year Capital Budget is \$199.1M, of which \$113.8M is forecasted to be spent in 2024 with the balance to be spent within the next four years.

As at June 30th, a \$1.3M capital budget adjustment is required, of which \$0.6M is fully offset by savings/scope change of other projects in the same year, leaving a net proposed current quarter adjustment of \$0.7M 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 **\$199.8M**.

Table 1-1

Multi-Year Capital Budget Adjustment Summary (in millions)		
2024 Approved Revised Multi-Year Capital Budget	2024 Q2 Quarterly Adjustment	2024 Proposed Revised Multi-Year Capital Budget
\$ 199.1	\$ 0.7	\$ 199.8

Attachment 1 provides a comprehensive list of items by project or program with capital expenditures as at June 30th. This attachment also includes projects that staff have proposed adjustments to the 2024 Approved Multi-Year Capital Budget.

As at June 30th, the City's total capital expenditure is \$21.2M and has over \$42.8M 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 as at June 30th (in millions)				
2024 Annual Capital Budget	2024 Annual Forecast	2024 Spend to Date	2024 PO Commitment to Date	Spent and Committed % to Date
\$ 151.9	\$ 113.8	\$ 21.2	\$ 42.8	42.1%

Major Projects Highlight and Status Update:

- **Advance Metering Infrastructure (AMI)** – as at June 30th, \$8.8M of the \$13.9M revised multi-year budget is forecasted to be spent in current year, with \$5.1M allocated for spending in 2025. The pilot test is complete and the AMI project will progress to mass deployment in September 2024. The majority of the meters required for this project will be delivered in 2024 and a significant amount of meters are planned to be installed later this year.
- **Təməsew'tx^w Aquatic & Community Centre (TACC)** – as at June 30th, the revised capital budget of \$13.0M is forecasted to be spent this year, with some

potential exceptions related to offsite work and long-term bike parking structure. Facility construction is complete and construction of Phase 2 site work is on track for completion by end of July. Invoices for furniture, fixtures and equipment continue to be processed as inventory is received and installed. Offsite works are in detail design for tender in Q3. Needs assessment and verification for long term bike parking is being reviewed prior to installation of the structure.

- **West-End Sewer Separation Program** – as at June 30th, \$9.6M of the \$21.1M revised multi-year budget is forecasted to be spent in current year, with \$11.5M allocated for spending in 2025 and later. Archeological permitting for the site has impacted the project schedule, but the innovative procurement strategy implemented will leverage efficiencies, allowing this multi-year program to remain on target. The contractor is currently working on the 16th Street.
- **West-End Watermain Repair Program** – as at June 30th, \$9.2M of the \$12.2M revised multi-year budget is forecasted to be spent in current year, with \$3.0M allocated for spending in 2025. Archeological permitting for the site has impacted the project schedule, but the innovative procurement strategy implemented will leverage efficiencies, allowing this multi-year program to remain on target. The contractor is currently working on the 16th Street catchment.
- **Massey Theatre Renovation** – as at June 30th, \$6.0M of the \$14.9M revised multi-year budget is forecasted to be spent in current year, with \$8.9M allocated for spending in 2025 and later. Detailed construction drawing package is underway, with partial tender of some packages completed in Q2 for award and construction start in Q3. A request to analyse a potential scope change was brought to Council for consideration in July, and details of the recommended additional scope will be brought to Council for consideration in October, 2024. Details of the scope change, and Council's direction, will be provided in the next performance report.
- **Pavement Management Program** – as at June 30th, \$4.5M of the \$12.1M revised multi-year budget is forecasted to be spent in current year, with \$7.6M allocated for spending in 2025 and later. 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 has begun, starting on 6th Ave and Cumberland.
- **Sixth Street Great Street** – as at June 30th, \$0.1M of the revised multi-year capital budget will be spent this year, with \$4.1M allocated for spending in 2025. Final design is nearing completion, with final details being confirmed with community stakeholders. Construction is expected to begin in the fall.
- **Active Transportation Network Plan (ATNP)** – as at June 30th, \$0.5M of the revised multi-year capital budget of \$3.7M will be spent this year, with \$3.2M allocated for spending in 2025. 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.

- **Sewer Rehabilitation Program** – as at June 30th, the revised capital budget of \$3.5M will be fully spent this year. The 2023 sewer rehabilitation work is complete. The 2024 CCTV inspections are currently under way.
- **Westminster Pier Park Expansion** – as at June 30th, \$0.7M of the \$3.4M revised capital budget is forecasted to be spent in 2024 towards early works coordination, design development and tender documents. The remaining budget to be committed in Q1 of 2025 when construction commences. Staff continue to work with a consultant team to develop tender drawings for the westward expansion of the park. The project is planned for tender in 2024 in anticipation of handover of the air space parcel by BOSA in late March 2025. Construction of the park will commence as soon as the handover process is complete.
- **Crosstown Greenway Construction** – as at June 30th, the revised capital budget of \$2.4M is forecasted to be spent in 2025. 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.
- **Sapperton District Energy** – as at June 30th, the \$1.0M of the \$7.2M revised capital budget will be spent this year, with the remaining budget allocated for spending in 2025 and later. Consultants are completing the design to 30% in order to determine a Class C cost estimate for phase 1 site development. Further design development, along with coordination with other levels of government and business case development will be needed in the next years to progress the project to an implementation phase.

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 June 30th, the 2024 Approved Operating Revenue Budget of \$310.8M is trending in line with expectations, as Utility Rates income and Interest Income are trending higher than anticipated, and are offset by lower than anticipated Contribution Revenue. 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 Budget	2024 YTD Actual	2024 YTD Variance	2024 Annual Budget	2024 Annual Forecast	Forecast vs Budget Variance
Taxation Revenue	\$ 112.07	\$ 112.57	\$ 0.50	\$ 114.24	\$ 114.74	\$ 0.50
Utility Rates	\$ 75.85	\$ 76.02	\$ 0.18	\$ 115.58	\$ 116.41	\$ 0.83
Sale of Services	\$ 9.00	\$ 9.09	\$ 0.09	\$ 19.15	\$ 19.26	\$ 0.11
Grants from Other Governments	\$ 2.85	\$ 4.02	\$ 1.17	\$ 7.37	\$ 8.02	\$ 0.65
Other Revenue	\$ 13.09	\$ 16.11	\$ 3.02	\$ 30.18	\$ 34.23	\$ 4.05
Contribution Revenue	\$ 9.02	\$ 4.72	\$ (4.30)	\$ 24.23	\$ 18.20	\$ (6.03)
Total Revenue	\$ 221.88	\$ 222.53	\$ 0.65	\$ 310.75	\$ 310.85	\$ 0.10

As at June 30th, the City's total **actual operating revenues are \$222.5M**, which is \$0.7M higher than planned. This is primarily due to higher than planned Interest Income and Utility Rates revenue, and are partially offset by lower than planned Contribution Revenue due to timing of the revenue received and the timing of capital spending. Staff are forecasting revenue to be \$0.1M over the 2024 annual budget by year-end. .

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

- **Taxation Revenues:** Property tax revenue is largely in line with the 2024 budget.
- **Utility Revenues:** YTD Utility Rates Revenue is largely in line with the 2024 budget, as commercial water consumption is higher than anticipated, which is offset by the unfavourability from the timing of the receipt of BC Hydro affordability credits. Staff are forecasting a slight increase of \$0.8M 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, which are partially offset by lower than budgeted Recreation Revenue with the phased opening of the new təməsewtxw Aquatic and Community Centre this quarter. Staff are forecasting a \$0.1M increase in Sale of Services from budget by the end of year, as the təməsewtxw Aquatic and Community Centre operations ramps up and the trend in parking revenue collection is expected to continue.

- **Grants from Other Governments:** YTD Government Grants is \$1.2M higher than budget to date due to timing of grants received. Staff are forecasting an increase of \$0.6M from budget in annual revenues for the year.
- **Other Revenue:** YTD Other Revenue is \$3.0M higher than budget to date mainly due to higher than planned Interest Income and the timing of Business Licenses Revenue received. Staff are forecasting a \$4.0M increase in Other Revenue by the end of year mainly due to higher trending bank interest income.
- **Contribution Revenue:** YTD Contribution Revenue is \$4.3M lower than budget due to timing of the revenue received and capital spending. Staff are anticipating \$6.0M of the budgeted contributions to be deferred to 2025 due to timing of the related capital projects spending.

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

Table 2-2

Operating Expenses (in millions)	Forecast vs					
	2024 YTD Budget	2024 YTD Actual	2024 YTD Variance	2024 Annual Budget	2024 Annual Forecast	Budget Variance
Salaries/Benefits/Training	\$ 61.34	\$ 57.31	\$ 4.03	\$ 126.76	\$ 125.99	\$ 0.78
Contracted Services	\$ 8.15	\$ 8.22	\$ (0.06)	\$ 27.91	\$ 29.24	\$ (1.33)
Supplies and Materials	\$ 6.62	\$ 6.77	\$ (0.15)	\$ 13.66	\$ 14.15	\$ (0.49)
Cost of Sales	\$ 0.84	\$ 0.71	\$ 0.13	\$ 1.72	\$ 1.74	\$ (0.02)
Grants	\$ 0.57	\$ 0.56	\$ 0.00	\$ 1.14	\$ 1.14	\$ (0.01)
Insurance and Claims	\$ 2.42	\$ 2.34	\$ 0.08	\$ 4.94	\$ 4.81	\$ 0.13
Amortization	\$ 15.29	\$ 15.29	-	\$ 30.57	\$ 30.57	-
Utility Purchases and Levies	\$ 21.92	\$ 20.88	\$ 1.04	\$ 59.10	\$ 59.09	\$ 0.01
Interest and Bank Charges	\$ 3.35	\$ 3.72	\$ (0.37)	\$ 6.94	\$ 7.29	\$ (0.35)
Total Expenses	\$ 120.51	\$ 115.80	\$ 4.71	\$ 272.74	\$ 274.01	\$ (1.27)

As at June 30th, the City's total **actual operating expenditures are \$115.8M** spent which is \$4.7M less than planned, much of which can be explained by salary savings from vacancies and new enhancement positions as recruitment efforts are underway. Staff are forecasting total expenditures to be \$1.3M over the 2024 annual budget, and recruitment progress as mentioned in the department operating memos.

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

- **Salaries/Benefits/Training:** YTD Salaries/Benefits/Training expenses are \$4.0M lower than budget mainly due to the timing of recruitments and the annual budget approval in Q2. Recruitment efforts to fill staff vacancies are underway, and staff are expecting expenditures to be \$0.8M under budget by year-end, inclusive of a budgeted salary savings from vacancies.
- **Contracted Services:** YTD Contracted Services expenses are largely in line with budget, as additional costs were incurred by the Water and Sewer Utilities for

significant unforeseeable emergency events investigation and remediation, and are offset by timing of grant funded expenditures. Staff are forecasting expenditures to be \$1.3M over budget due to costs incurred for the emergency events and administrative expenditures.

- **Utility Purchases and Levies:** YTD Utility Purchases and Levies expenses are \$1.0M lower than budget 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 \$0.4M higher than budget 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 June 30, 2024, the Purchasing Division was involved in the preparation and administration of 19 competitive bid documents. Also for this period, the Purchasing Division identified 26 awards, purchase orders, or change orders that meet the parameters of this report requirement (**Attachment 3**). Of these, 14 were competitive contract awards, 9 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 \$0.7M 2024 quarterly capital budget adjustments and \$199.8M Proposed Revised Multi-Year Capital budget be approved.

Option 2: THAT Council provides staff with alternate 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

This report was prepared by:

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