

REPORT

Finance Department

To: Mayor Johnstone and Members of Council
Date: June 9, 2025

From: Shehzad Somji
CFO/Director of Finance and Information Technology
File:

Item #: 2025-169

Subject: 2025 Capital and Operating Quarterly Performance Report

RECOMMENDATION

THAT the \$12.4M 2025 quarterly capital budget adjustments and \$256.0M 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 2025 Capital Budget Adjustment and Revised 2025 Multi-Year Capital Budget: (1) Adjust for net budget increases of \$12.4M; and (2) Approve the Proposed Revised Multi-Year Capital Budget of \$256.0M.

EXECUTIVE SUMMARY

The Approved 2025 Multi-Year Capital Budget is \$243.6M, of which the City has spent \$7.7M and committed an additional \$53.6M to major projects and capital program spending as of March 31st. A total of \$13.5M capital budget adjustment is required, of which \$1.1M is fully offset by savings/scope change of other projects within the same year, resulting in a net proposed adjustment of \$12.4M for the current quarter. This is inclusive of \$11.6M of adjustments for 2024 budget carryforwards as the City progresses through the multi-year capital programs. The City is forecasting the 2025 annual capital

program expenditure to be \$170.9M by year-end. The remaining budget will be carried forward into next year which will form part of the 2026 Capital Budget.

As of March 31st, the Operating Budget is showing positive trends. The Operating Revenue Budget of \$338.4M is forecasted to exceed expectations, resulting in a \$3.2M surplus. Similarly, the Operating Expenditure Budget of \$300.1M is trending positively, with a projected saving of \$5.2M 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 2025 Budget and Five Year Financial Plan were approved in February 2025, 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 2025. This demonstrated a transparent approach to delivering services. For 2025, Council has approved the Operating Expenditure Budget of \$300.1M and the Multi-Year Capital Budget of \$243.6M during the annual budgeting process. The Multi-Year Capital Budget projected the 2025 annual capital spending to be \$159.1M, 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 2025 Approved Revised Multi-Year Capital Budget is \$243.6M, of which \$159.1M was forecasted to be spent in 2025 with the balance to be spent within the next four years.

As at March 31st, a total of \$13.5M capital budget adjustment is required, of which \$11.6M is for 2024 budget carryforwards, \$1.1M is fully offset by savings/scope change of other projects within the same year, leaving a net proposed current quarter adjustment of \$0.8M 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 the Proposed Revised 2025 Multi-Year Capital Budget of **\$256.0M**.

Table 1-1

Multi-Year Capital Budget Adjustment Summary (in millions)			
2025 Approved Multi-Year Capital Budget	2024 Year-End Carryforward Adjustment	2025 Q1 Quarterly Adjustment	2025 Proposed Multi-Year Capital Budget
\$ 243.6	\$ 11.6	\$ 0.8	\$ 256.0

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 2025 Approved Multi-Year Capital Budget.

As at March 31st, the City’s total capital expenditure is \$7.7M and has over \$53.6M 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)				
2025 Annual Capital Budget	2025 Annual Forecast	2025 Spend to Date	2025 PO Commitment to Date	Spent and Committed % to Date
\$ 159.1	\$ 170.9	\$ 7.7	\$ 53.6	38.6%

Major Projects Highlight and Status Update:

- **Advance Metering Infrastructure (AMI)** – as at March 31st, \$8.2M revised multi-year capital budget is forecasted to be spent in current year. Mass deployment of meters is underway, and approximately 72% of AMI meters have been installed as of May 2025. Deployment will continue into 2025 with the plan to have residential meter deployment complete by Q3 2025.

- **Active Transportation Network Plan (ATNP)** – as at March 31st, \$3.2M of the \$12.7M revised multi-year capital budget is forecasted to be spent in the current year, with \$9.5M allocated for spending in 2026 and later. Year 1 ATNP projects are underway (Seventh Ave west) or about to get underway in Q2/Q3 (Boyd St, Seventh St). Year 2 ATNP projects are currently in preliminary design and there will be a public engagement process beginning in June 2025.
- **Electrical New Services** – as at March 31st, \$3.1M revised multi-year capital budget is forecasted to be spent in the current year. New service connections continue on a yearly basis and costs are expected to be in line with the approved budget.
- **Fenton Street Streetscape** – as at March 31st, \$2.7M of the \$8.0M revised multi-year capital budget is forecasted to be spent in the current year, with \$5.3M allocated for spending in 2026 and later. Public engagement with the residents is planned to be completed June 2025.
- **Massey Theatre Renovation** – as at March 31st, \$25.4M revised multi-year capital budget is forecasted to be spent in the current year. The project is considered in three major phases: Phase 1 - Water Entry Phase (a new water service to the building) is now complete, Phase 2 - Deconstruction of the Large Gym (this phase includes the deconstruction of the large gymnasium wing) is substantially complete and Phase 3 - Balance of Building (which includes completion of the remaining project scope) is expected to begin in late Q2 of 2025 with an estimated total project completion in Fall 2027. A request to add scope to accommodate an HVAC upgrade and improvements to the Public Realm was approved by Council on December 2, 2024. This work forms part of the Phase 3 scope.
- **Pavement Management Program** – as at March 31st, \$5.0M of the \$12.6M revised multi-year capital budget is forecasted to be spent in the current year, with \$7.6M allocated for spending in 2026 and later. Remaining work from the 2024 Pavement Program will be complete in June 2025 and the 2025 Pavement Program is expected to be awarded for construction in June 2025.
- **Royal Substation Improvements** – as at March 31st, \$9.9M revised multi-year capital budget is reserved to support the initial stages of the project. Work continues on the 10 year distribution plan, which will help inform the prioritization and timing of future projects.
- **Sewer Rehabilitation Program** – as at March 31st, \$3.5M of the \$6.5M revised multi-year capital budget is forecasted to be spent in the current year, with \$3.0M allocated for spending in 2026 and later. CCTV'ing of two areas is underway. The 2024 rehabilitation program will be undertaken from Q3 2025.

- **Sixth Street Great Street** – as at March 31st, \$4.0M of the revised multi-year capital budget is forecasted to be spent in the current year. Construction got underway in Q1 and is expected to continue until late summer.
- **Street Lighting Improvements** – as at March 31st, \$1.3M of the \$4.5M revised multi-year capital budget is forecasted to be spent in the current year, with \$3.2M allocated for spending in 2026 and later. Notice of Award has been issued. A final meeting with the resident association will be held prior to construction, which is scheduled to start in June.
- **Structures Rehabilitation** – as at March 31st, \$1.4M of the \$3.7M revised multi-year capital budget is forecasted to be spent in the current year, with \$2.3M allocated for spending in 2026 and later. Richmond St – Southwest is preparing for shotcrete on May 27th. Reinforcing the rebars and cleaning up the site for the rest of this week. Completion date is mid-June. Spruce St – Working on the Statutory Right of Way with BNSF and CN. Hydrovac work is planned to locate the MV main on Brunette Ave. Construction is scheduled to start in July.
- **TACC Offsites E 6th Ave Improvement** – as at March 31st, \$4.2M revised multi-year capital budget is forecasted to be spent in the current year. The project will be tendered in late Q2, with construction getting underway in the summer.
- **Traffic Signal Install & Improvement** – as at March 31st, \$0.3M of the \$3.1M revised multi-year capital budget is forecasted to be spent in the current year, with \$2.8M allocated for spending in 2026 and later. Recent work includes replacement of the signal at Stewardson Way and Fifth Ave as part of TransLink's BC Parkway upgrade. 3rd and Stewardson signal design is underway and is expected to start construction in fall of 2025.
- **Watermain Replacement Program** – as at March 31st, \$2.5M of the \$13.5M revised multi-year capital budget is forecasted to be spent in the current year, with \$11.0M allocated for spending in 2026 and later. Parts of this program are connected to the West End utilities project with the remaining areas under planning.
- **West-End Sewer Separation Program** – as at March 31st, \$10.4M of the \$18.5M revised multi-year capital budget is forecasted to be spent in the current year, with \$8.1M allocated for spending in 2026 and later. The project anticipates the Archeological permitting to be finalized by the end of summer 2025. All contracts for the multi-year project have been finalized. The contractor is finalizing the 16th Street Catchment and has begun work on 18th Street.
- **West-End Watermain Replacement Program** – as at March 31st, \$7.5M of the \$9.8M revised multi-year capital budget is forecasted to be spent in the current year, with \$2.3M allocated for spending in 2026. The project anticipates the Archeological permitting to be finalized by the end of summer 2025. All contracts

for the multi-year project have been finalized. The contractor is finalizing the 16th Street Catchment and has begun work on 18th Street.

- **Westminster Pier Park Expansion** – as at March 31st, \$8.5M of the \$10.5M revised multi-year capital budget is forecasted to be spent in 2025. To date, spending has been allocated to early works coordination, design development, and tender document preparation. The tender process is now complete and the project will be awarded in May 2025. The remaining budget to be committed in Q2 of 2025 with construction commencing in June 2025. The project is currently planned for completion in November/ December 2025, pending inclement weather.

QUARTERLY OPERATING REPORT

The Operating Budgets provide annual funds for essential City Services such as Utilities, 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 2025 Approved Operating Revenue Budget of \$338.4M is forecasted to exceed expectations by \$3.2M, driven mainly by higher than anticipated Utility Rates Revenue and Interest Income. The 2025 Approved Operating Expenditures of \$300.1M are trending lower than budget by \$5.2M mainly due to vacancy savings.

The Operating Budgets face a number of potential risks and pressures that should be highlighted. Several collective agreements have expired and while estimates have been budgeted in 2025, the true impact of these agreements remains contingent upon their ratification. 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 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)	2025 YTD	2025 YTD	2025 YTD	2025 Annual	2025 Annual	Forecast vs
	Budget	Actual	Variance	Budget	Forecast	Budget Variance
Taxation Revenue	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ 122.9	\$ 122.9	\$ (0.0)
Utility Rates	\$ 64.3	\$ 66.4	\$ 2.1	\$ 122.5	\$ 123.7	\$ 1.1
Sale of Services	\$ 5.0	\$ 5.5	\$ 0.5	\$ 21.4	\$ 21.3	\$ (0.1)
Grants from Other Governments	\$ 1.4	\$ 1.2	\$ (0.1)	\$ 7.0	\$ 7.4	\$ 0.4
Other Revenue	\$ 7.7	\$ 10.8	\$ 3.2	\$ 29.2	\$ 30.9	\$ 1.6
Contribution Revenue	\$ 4.3	\$ 2.3	\$ (2.0)	\$ 35.2	\$ 35.4	\$ 0.2
Total Revenue	\$ 82.5	\$ 86.1	\$ 3.6	\$ 338.4	\$ 341.6	\$ 3.2

As at March 31st, the City’s total **actual operating revenues are \$86.1M**, which is \$3.6M higher than planned. This is primarily attributed to higher Utility Rates Revenue and Interest Income. The variance is partially offset by lower Contribution Revenue, driven by the timing of revenue receipts and capital spending. Staff are forecasting revenue to be \$3.2M over the 2025 annual budget by year-end, which is largely due to higher Interest Income.

Major Revenue Highlight and Status Update:

- **Taxation Revenue:** Property Tax Revenue will be recorded when notices are issued in May. The due date for payment of property taxes is July 2, 2025.
- **Utility Rates:** YTD Utility Rates Revenue is \$2.1M higher than budget, mainly due to higher than anticipated commercial water consumption, electricity consumption, and increasing number of utility accounts. The impact of seasonality is expected to normalize over the remainder of the year. Staff are forecasting a slight increase of \$1.1M from budget in annual revenues for the year.
- **Sale of Services:** YTD Sale of Services Revenue exceeds the budget by \$0.5M, primarily due to higher than anticipated drop-in, membership, and rental revenues at Recreation Centres, as well as increased billable third-party service work. These gains are partially offset by reduced police salary recoveries, resulting from fewer staff on secondments. However, this reduction in recoveries is offset by a reduction in secondment salary expenses. Staff are forecasting a \$0.1M decrease in Sale of Services from budget by year-end, as the reduction in secondment recoveries is expected to continue.
- **Grants from Other Governments:** YTD Government Grants are \$0.1M below budget, primarily due to the timing of grant receipts. Staff are forecasting a \$0.4M increase in Grants from Other Governments by year-end, mainly due to unbudgeted Internet Child Exploitation (ICE) funding.
- **Other Revenue:** YTD Other Revenue is \$3.2M above budget, primarily driven by the timing of Building Permit and Business Licences revenues, as well as higher-than-planned Interest Income. The increase in permit and licences revenue is expected to be temporary and seasonal. Staff are forecasting a \$1.6M increase in Other Revenue by year-end, mainly due to higher trending bank interest income.
- **Contribution Revenue:** YTD Contribution Revenue is \$2.0M lower than budget due to timing of the revenue received and capital spending. The capital spending is forecasted to trend upward. Staff are forecasting a \$0.2M increase from budget by end of year, mainly due to unbudgeted Library Enhancement Grant.

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

Table 2-2

Operating Expenses (in millions)	2025 YTD	2025 YTD	2025 YTD	2025 Annual	2025 Annual	Forecast vs
	Budget	Actual	Variance	Budget	Forecast	Budget Variance
Salaries/Benefits/Training	\$ 36.6	\$ 31.7	\$ 4.9	\$ 142.6	\$ 136.1	\$ 6.5
Contracted Services	\$ 4.6	\$ 4.3	\$ 0.4	\$ 29.4	\$ 29.6	\$ (0.2)
Supplies and Materials	\$ 3.3	\$ 4.0	\$ (0.6)	\$ 14.0	\$ 14.2	\$ (0.2)
Cost of Sales	\$ 0.4	\$ 0.4	\$ (0.0)	\$ 1.7	\$ 1.8	\$ (0.1)
Grants	\$ 0.5	\$ 0.7	\$ (0.2)	\$ 1.1	\$ 1.1	\$ 0.0
Insurance and Claims	\$ 1.2	\$ 1.2	\$ (0.1)	\$ 4.9	\$ 5.1	\$ (0.2)
Amortization	\$ 7.7	\$ 8.0	\$ (0.3)	\$ 32.2	\$ 32.4	\$ (0.2)
Utility Purchases and Levies	\$ 11.5	\$ 11.8	\$ (0.2)	\$ 67.5	\$ 67.5	\$ (0.0)
Interest and Bank Charges	\$ 2.1	\$ 2.7	\$ (0.6)	\$ 6.7	\$ 7.2	\$ (0.5)
Total Expenses	\$ 68.0	\$ 64.8	\$ 3.2	\$ 300.1	\$ 295.0	\$ 5.2

As at March 31st, the City’s total **actual operating expenditures are \$64.8M**, which is \$3.2M less than planned, much of which can be explained by salary savings from vacancies and non-property tax funded new enhancement positions as recruitment efforts are underway. Staff are forecasting total expenditures to be \$5.2M under the 2025 annual budget, and recruitment progress as mentioned in the department operating memos.

Major Expenses Highlight and Status Update:

- **Salaries/Benefits/Training:** YTD Salaries/Benefits/Training expenses are \$4.9M lower than budget, primarily due to the timing of recruitments, the annual budget approval in February 2025, and a reduction in seconded member deployments. Recruitment efforts to fill staff vacancies are ongoing across all departments. Staff are expecting expenditures to be \$6.5M under budget by year-end.
- **Supplies and Materials:** YTD Supplies and Materials expenses are \$0.6M more than budget mainly related to unscheduled maintenance repair at Massey Theatre and at Pier Park due to vandalism, and higher diesel and gas costs. Staff are expecting expenditures to be \$0.2M under budget by year-end due to the classification of Building Safer Communities Fund spending of \$0.5M. The activities are being delivered through external service providers rather than supplies and materials as originally budgeted.
- **Interest and Bank Charges:** YTD Interest and bank charges are \$0.6M higher than budget primarily due to timing of debt coupon payments and interest paid on tax prepayments. Staff are expecting expenditures to be \$0.5M over budget by year-end due to elevated interest rates paid on tax prepayments.

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.

INVESTMENT RESULTS

The City’s cash and investment portfolio has a net book value of \$410.6M as at March 31st, 2025. It consists of investments made in Guaranteed Investment Certificates (GIC) and Municipal Finance Authority (MFA) pooled investment funds in compliance with the *Community Charter*, and cash and cash equivalents that are held for City operations and short-term working capital. The annualized weighted average investment yield of the City’s investment portfolio is 3.53%.

- **Cash and Cash Equivalents:** As at March 31st, cash and cash equivalents increased by \$45.0M, as the City reinvested proceeds from a matured one-year GIC into a short-term notice plan. The annualized yield on cash and cash equivalents is 3.29%.
- **MFA Pooled Investments:** The City invested in several MFA pooled investment funds: Government Focused Ultra-short Bond Fund, Short-term Bond Fund, and Mortgage Fund. As at March 31st, the annualized yield on the MFA Pooled Investments is 3.13%.
- **Guaranteed Investment Certificates:** The City invested in multiple GICs with Canadian Chartered Banks. As at March 31st, the City’s investment in GICs decreased by \$50.0M due to the maturity of a one-year GIC, with proceeds redirected to a short-term notice plan. The City has entered into multiple high-interest GICs since 2023 to take advantage of favourable market rates. As these GICs mature, staff will evaluate market conditions to redeploy the principal in a way that maximizes returns while meeting working capital requirements. The annualized yield for the City’s GICs is 4.81%.

See **Table 3-1** for a comparison of the cash and cash equivalent interest yield and the relevant benchmark rates:

Table 3-1

YTD Yields	Cash and Cash Equivalent	MFA Pooled Investments	GICs
YTD Yields Actual	0.81%	0.77%	1.18%
Benchmark Rates ¹	0.72%	1.12%	1.12%
Difference	0.09%	(0.35%)	0.06%

¹ Cash and cash equivalent benchmarked against FTSE Canada 30-day T-Bill Index, and MFA Pooled Investments and GICs benchmarked with FTSE Canada 365-Day Treasury Bill Index, as per MFA Pooled Investment Fund Monthly Performance Report as of March 31st, 2025.

INTEREST RATE OUTLOOK

The Bank of Canada held its policy rate at 2.75% in April 2025, marking its first pause after seven rate cuts since June 2024. The decision reflects ongoing uncertainty, especially regarding U.S. trade policy and tariffs. Market consensus remains cautious with close monitoring of CPI and other relevant economic data. The Bank Rate is forecasted to drop another 50 basis points (0.50%) by the end of 2025.

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 31st, 2025, the Purchasing Division was involved in the preparation and administration of 14 competitive bid documents. Also for this period, the Purchasing Division identified 42 awards, purchase orders, or change orders that meet the parameters of this report requirement (**Attachment 3**). Of these, 14 were competitive contract awards, 16 were sole source awards, and 12 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 the \$12.4M 2025 quarterly capital budget adjustments and \$256.0M Proposed Revised Multi-Year Capital budget be approved.

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

This report was prepared by:

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This report was reviewed by:

Directors, Deputy Directors, and Senior Managers from all City Departments

This report was approved by:

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Lisa Spitale, Chief Administrative Officer