
MEMORANDUM

June 26th, 2024

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Maria Pontikis, Chief Communications Officer, CEC
Rosemary Hagiwara, Acting City Clerk
Teresa Jong, Administration Services Manager, City Manager's Office
Mellisa Morphy, Acting Chief of Staff, Mayor's Office
Trevor Ford, Director of Operations, Mayor's Office

FROM: Colin Knight, Director, Financial Planning & Analysis Finance and Supply Chain Management

SUBJECT: 2024 First Quarter Review – Operating and Capital Budgets

Executive Summary

The purpose of this report is to provide Council with an overview of City's financial performance for the first quarter of 2024. The report includes details on the annual forecast of the City's Operating Revenue and Expenditure, and Capital Expenditures and the corresponding variances with the annual Operating and Capital Budget.

For 2024, the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments. For the first quarter of 2024, the City recorded an Operating Budget surplus of \$37.4 million, primarily driven by the surplus in investment income, as well as savings in salary offset by higher overtime expenses in public safety and other non-salary expenses, and timing differences in expenditures.

Total capital expenditures to the end of the first quarter of 2024 were \$119 million, which is 15% of the total 2024 Capital Expenditure Budget of \$782 million. Total expenditures for the year are forecasted to be \$754 million, which is 96% of the 2024 Capital Expenditure Budget.

Operating Budget

The City is forecasting to be on budget at year-end. The City reported a \$37.4 million surplus in the first quarter of 2024, primarily driven by investment income, as well as savings in salary offset by higher overtime expenses in public safety and other non-salary expenses. The surplus reported in the first quarter is expected to be offset in the remaining portion of the year because of higher expenditures that will occur later in the year than planned as well as higher year end transfers. The year-end forecasted variance for revenues includes a surplus in investment income as well as parking and higher recovery for occupancy fees and street furniture and lower anchor rod fees and commercial permits.

Appendix A shows the 2024 Operating Budget revenues and expenditures, year-to-date variances and full-year forecasts. However, below are the major revenue and expenditure drivers for Q1 Year-to-Date and the full year forecast:

A. Revenue highlights:

- **Investment income** was approx. \$8.9 million above budget for year-to-date (YTD) and forecasted to be \$10.1 million above budget for 2024 year-end, due to high interest rates, larger portfolio size, and enhanced investment portfolio optimization strategies.
- **Occupancy Fees** are \$0.5 million above budget for year-to-date (YTD) and forecasted to be \$2.0 million above 2024 budget.
- **Street Parking revenue** was \$2.4 million below budget for quarter 1 YTD and forecasted to be \$0.4 million above for 2024 driven by higher parks parking offset by continuing behavior changes as a result of COVID-19 pandemic and delays in revenue generation initiatives. The forecasted deficit due to behavioral changes would be offset by Covid Revenue Risk Allowance.
- **Program revenue** was \$1.5M above budget for YTD and forecasted to be \$3.3 million above 2024 budget primarily driven by due to strong revenues largely from Parks, in particular with higher revenues from golf and attractions events.

B. Expenditures and Transfers highlights:

- **Fire & Rescue Services** Q1 YTD expenditures were \$3.2 million above budget and the Year-End costs are forecasted to be \$6.3 million above budget, primarily due to higher than budgeted overtime and extra shifts in order to meet operational staffing requirements as staffing levels have been impacted by staff absences, as well as higher fleet maintenance costs. As a result of recent provincial changes to the Employment Standards Act, VFRS cost recoveries related to staff absences have reduced and overtime costs have increased causing an adverse impact to year end forecast.
- **Board of Parks and Recreation** year-end forecasted expenditures are \$4.2 million above budget due to costs associated primarily with recreation building maintenance, Hillcrest CCA settlement mostly offset by business services revenue.
- **General Government** is forecasted to be above budget by \$18.8 million, primarily due to unbudgeted transfers to reserves. The year-end forecasted stabilization reserve balance is 7.0% of non-utility revenue (v/s Government Finance Officers Association recommended balance of 16% of non-utility revenue).

Capital Budget

The Annual Capital Expenditure Budget reflects one year's expenditures for projects that may span multiple years. On December 12, 2023, the Council approved the 2024 Capital Budget, which included a Capital Expenditure Budget of \$782 million. Expenditures up until the first quarter were \$119 million, or 15% of the budget. The expenditure forecast for 2024 is \$754 million or 96% of the budget. Although Appendix B includes details on budget variances by service category, the following lists the major Service Categories with their corresponding variance explanations:

- **Streets** expenditures are forecasted to be \$13 million below budget, due to external factors such as delays from contractors and procurement delays for various projects such as rehabilitation of Cambie and Granville Bridge.
- **Water, sewers & drainage** expenditures are forecasted to be \$11 million below budget mainly due to external factors such as delays from third-party contractors and supply chain issues in water meter and pump station programs.

Conclusion

The City recorded an Operating Budget surplus of \$37.4 million in YTD Q1 and a balanced budget at year-end. Significant variances in the revenue and expenditure categories include higher than budgeted investment income, higher salary-related savings partially offset by higher overtime mainly in Public Safety, and higher non-salary expenses. The City also incurred \$119 million in capital expenditures up until the end of the first quarter of 2024, or 15% of the 2024 budget of \$782 million. The City is forecasting to spend \$754 million by the end of 2024 representing a forecasted variance of \$28 million.

APPENDIX A 2024 Operating Budget – Year-to-date and Full year Forecast

2024 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2024 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$292.3	\$292.2	(\$0.2)	(0.1%)	\$1259.5	\$1259.4	(\$0.0)	(0.0%)
Utility revenue	\$85.9	\$87.4	\$1.5	1.8%	\$424.6	\$427.2	\$2.6	0.6%
Program revenue	\$13.9	\$15.4	\$1.5	10.8%	\$75.0	\$78.3	\$3.3	4.4%
Licence & Development fees	\$49.7	\$58.5	\$8.7	17.6%	\$116.7	\$130.0	\$13.2	11.3%
Parking revenue	\$19.2	\$16.8	(\$2.4)	(12.5%)	\$78.4	\$78.8	\$0.4	0.5%
Cost recoveries, grants & donations	\$17.1	\$17.0	(\$0.2)	(0.9%)	\$66.3	\$80.9	\$14.5	21.9%
Government Transfer	\$2.1	\$6.6	\$4.6	221.9%	\$27.5	\$28.6	\$1.1	3.9%
Investment income	\$15.4	\$24.4	\$8.9	57.8%	\$46.9	\$56.2	\$9.2	19.7%
Other revenue	\$9.5	\$9.5	\$0.1	1.0%	\$37.3	\$37.4	\$0.2	0.4%
Bylaw fines	\$7.2	\$7.3	\$0.1	1.6%	\$23.2	\$23.1	(\$0.1)	(0.3%)
TOTAL REVENUES	\$512.3	\$535.0	\$22.7	4.4%	\$2,155.4	\$2,199.9	\$44.4	2.1%
EXPENDITURES & TRANSFERS								
Utilities	53.0	45.9	7.1	13.3%	483.4	486.2	(2.8)	(0.6%)
Engineering	31.8	33.2	(1.4)	(4.5%)	127.7	130.2	(2.5)	(2.0%)
Police Services	109.8	116.4	(6.7)	(6.1%)	443.1	442.7	0.3	0.1%
Fire & Rescue Services	48.2	51.5	(3.2)	(6.7%)	187.0	193.3	(6.3)	(3.4%)
Parks & Recreation	39.0	38.2	0.8	2.0%	169.2	173.5	(4.2)	(2.5%)
Library	16.6	16.8	(0.2)	(1.2%)	62.9	62.8	0.0	0.0%
Britannia Community Services Centre	1.6	1.5	0.1	4.2%	6.4	6.3	0.1	1.0%
Civic Theatres	3.8	4.6	(0.9)	(23.3%)	15.5	15.5	0.0	0.0%
Community Services	11.5	12.9	(1.3)	(11.6%)	48.4	58.7	(10.3)	(21.4%)
Grants	8.7	9.9	(1.3)	(14.7%)	32.8	32.8	0.0	0.0%
Planning, Urban Design & Sustainability	9.6	9.5	0.1	1.2%	35.0	36.9	(1.9)	(5.4%)
Development, Buildings & Licensing	12.4	11.5	0.9	7.1%	50.1	48.9	1.2	2.4%
Mayor & Council	1.1	0.9	0.1	11.4%	4.2	4.2	0.0	0.8%
Office of the Auditor General	0.6	0.4	0.2	32.0%	2.4	2.4	0.0	0.0%
Corporate Services	37.7	35.8	1.9	5.1%	149.8	149.0	0.8	0.5%
REFM	9.2	9.0	0.3	3.1%	37.6	37.6	0.1	0.1%
Finance, Risk & Business Planning	5.6	5.5	0.1	2.1%	22.5	22.1	0.4	1.6%
IT, Digital Strategy & 311	11.8	11.7	0.1	1.2%	46.9	46.9	0.0	0.0%
Human Resources	2.1	1.8	0.4	17.5%	8.5	8.5	0.0	0.0%
Legal	1.6	1.6	(0.0)	(0.2%)	6.7	6.7	(0.0)	(0.4%)
City Clerk	1.8	1.6	0.2	10.6%	7.2	7.1	0.0	0.4%
City Manager's Office	2.8	2.2	0.6	22.4%	9.7	9.4	0.3	3.0%
Office of the CSO	2.7	2.5	0.2	7.9%	10.8	10.7	0.1	0.7%
General Government	(85.4)	(85.3)	(0.1)	0.2%	170.0	188.8	(18.8)	(11.1%)
General debt & Transfers to Capital Fund	109.4	90.7	0.1	0.1%	167.5	167.5	0.0	0.0%
TOTAL EXPENDITURES & TRANSFERS	\$409.2	\$394.5	14.6	3.6%	\$2,155.4	\$2,199.9	(44.4)	(2.1%)
SURPLUS (DEFICIT)	\$103.1	\$140.5	\$37.4	36.2%	\$0.0	\$0.0	\$0.0	-

NOTE: Totals may not add due to rounding.

APPENDIX B
2024 Capital Expenditure Budget variances by Service Category

2024 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions)					
Service Category	2024 Expenditure Budget	2024 YTD Actual Expenditure (as of Q1 2024)	2024 Expenditure Forecast	Variance	Variance %
HOUSING	\$125.0	\$7.0	\$125.2	(\$.3)	-0.2%
CHILDCARE	\$28.9	\$9.7	\$28.3	\$.6	1.9%
PARKS & PUBLIC OPEN SPACES	\$52.1	\$6.2	\$52.5	(\$.4)	-0.7%
ARTS, CULTURE & HERITAGE	\$35.4	\$1.9	\$39.4	(\$4.0)	-11.3%
COMMUNITY FACILITIES	\$64.2	\$12.6	\$64.2	(\$.0)	0.0%
PUBLIC SAFETY	\$18.3	\$2.6	\$18.8	(\$.5)	-2.6%
CIVIC FACILITIES & EQUIPMENT	\$28.5	\$5.4	\$28.5	(\$.0)	0.0%
STREETS	\$148.1	\$22.1	\$134.7	\$13.4	9.1%
WATER, SEWERS & DRAINAGE	\$170.8	\$35.2	\$159.8	\$11.1	6.5%
WASTE COLLECTION, DIVERSION & DISPOSAL	\$37.2	\$3.5	\$33.3	\$3.9	10.5%
RENEWABLE ENERGY	\$24.9	\$2.9	\$22.1	\$2.8	11.2%
TECHNOLOGY	\$38.4	\$7.8	\$37.1	\$1.3	3.5%
EMERGING PRIORITIES, CONTINGENCY & PROJECT DELIVERY	\$10.1	\$2.3	\$9.8	\$.3	2.9%
TOTAL	\$782.0	\$119.4	\$753.8	\$28.2	3.6%