



Governance and Priorities Committee Report

For the Meeting of November 5, 2015

To: Governance and Priorities Committee
From: Susanne Thompson, Director of Finance
Subject: 2015 Third Quarter Budget Status Report

Date: October 22, 2015

RECOMMENDATION

That Council receive this report for information.

EXECUTIVE SUMMARY

In accordance with the Community Charter, Council approves a five-year financial plan bylaw that authorizes the expenditure of funds and collection of revenues for the City's various programs and projects. If unanticipated events occur during the year that impact the approved five-year financial plan, staff recommend amendments to the financial plan bylaw to authorize the changes.

The financial plan is reviewed regularly during the year and the status is reported quarterly to Council. The purpose of the quarterly financial report is to provide Council, the community and staff with a regular overview of financial information and staffing levels. Each report highlights any actual to budget variances and recommends adjustments, if any, to the five-year financial plan bylaw.

This report outlines the status of the 2015 budget as of September 30, 2015. Some variances are noted in the body of the report and are being monitored. However, at this point, no amendments to the 2015-2019 Financial Plan Bylaw are recommended.

PURPOSE

The purpose of this report is to provide Council with an update on the actual results compared to the budget for operating and capital budgets, and staffing levels for the quarter ending September 30, 2015.

BACKGROUND

Council approves a five year financial plan bylaw annually in accordance with Section 165 of the Community Charter. The financial plan allocates the financial and human resources required to achieve the objectives of the City's Strategic Plan.

The City performs monthly variance analyses of the revenues and expenditures as they compare to the approved financial plan and reports the progress quarterly to Council. This quarterly report is a comparison of actual revenues and expenditures for city operations and capital projects as well as staffing levels at September 30, 2015 as outlined in the attached summaries.

If unanticipated events occur during the year that impact the approved five-year financial plan, staff recommend amendments to the financial plan bylaw to authorize the changes. All budgetary amendments require Council's approval.

ISSUES & ANALYSIS

Operating Budget

As of September 30, 2015, the overall operating revenues and expenditures are 84% and 56% respectively of the annual budgeted amounts. This compares to 84% and 61% in the prior fiscal period. A summary of the actual operating revenues and expenditures compared to the budget is attached in Appendix A.

Revenues

The majority of revenues are expected to be within budget. The revenue areas that have notable variances are outlined below.

Development revenues continue to be higher than anticipated due to increased activity. The expected surplus is approximately \$200,000.

The City receives traffic fine revenue from the Province based on the City's policing costs relative to the total policing costs for all municipalities in BC. This year, the City received \$120,000 less than what was estimated in the financial plan.

Continued monitoring of parking revenues indicates a net shortfall of approximately \$400,000. Parkade and on-street parking revenues are expected to generate additional revenue of approximately \$500,000, whereas revenue generated mainly from parking fines, parking lots and parking permits are anticipated to be below budget by \$1.2 million. This \$700,000 deficit is expected to be offset by parking expenditure savings of \$300,000. A separate report providing more in depth analysis has been drafted for Council's consideration.

Payments in lieu of taxes are expected to be over budget by \$375,000 due to the successful assessment appeal of provincial properties.

The property tax penalty revenue is less than budget by \$80,000. This is an indication that more taxpayers paid their bill on time in 2015 compared to 2014.

As a result of the new Fire Prevention Regulation Bylaw and an increase in the public upgrading

existing oil burners, fire revenues are trending positively over budget by \$28,000.

Summer camp revenues have exceeded budget by \$45,000, though there are related expenditures resulting in a net increase of \$30,000.

The Royal Athletic Park concession revenues have exceed budget by \$80,000, though there are related expenditures resulting in a net increase of \$50,000.

The asphalt plant revenue is approximately \$60,000 below budget due to decreased external sales. Staff are exploring different options to increase the sales to mitigate this shortfall. In addition, the recovery amount that is allocated to City project work is exceeding expectations by approximately \$20,000 resulting in an estimated net shortfall of \$40,000.

Expenditures

At this point, the majority of expenditures are expected to be within budget. The expenditures that have significant variances are outlined below.

Traffic order expenditures are over budget by \$30,000 due to a large volume of public requests, which is offset by reduced expenditures in Transportation Administration.

Seasonal variations in municipal operations and accounting processes that occur outside the quarterly basis affect the proportion of revenues received or expenditures incurred to September 30, 2015. We continue to improve our accounting processes to better align the quarterly actual to budget reporting.

Capital Budget

As of September 30, 2015, the actual capital expenditures are at 48% spent of total budgeted expenditures for the year, compared to 34% in the prior year. A summary of capital programs and projects are illustrated in Appendix B. Capital projects have varying schedules and at present, the majority of projects are expected to be completed according to schedule. A few projects have schedule changes as noted below.

As part of the Financial Planning process, Council approved an additional \$1 million towards the David Foster Harbour Pathway project. Proposed bridge designs and cost estimates will be included in a report outlining the revised scope and schedule of this project, and will be brought to Council, which likely will result in shifting of budget to 2016.

The Pioneer Square project has been put on hold pending the outcome of the Parks Master Plan.

BC Hydro has reduced the number of hydro poles they are replacing this year. The City was replacing the streetlights attached to the hydro poles and will therefore replace fewer than expected, resulting in the budget being underspent by an estimated \$50,000.

The paving component of the Cook Street road work has been postponed to 2016 to allow for public engagement and subsequent design development to be completed. A complete streets co-design workshop with the North Park Neighbourhood was held and concepts have been developed. The cost is estimated to be \$230,000.

The sidewalk project on Higgins Street has been postponed to 2016 to allow for public engagement and subsequent design development to be completed. The cost is estimated to be \$150,000.

Although the schedule for some underground projects have shifted to the latter half of the year, the majority of the work is still expected to be completed this year.

Two watermain projects have been postponed to 2016. Ryan Street watermain was delayed to align with paving work, and Inskip Street watermain was delayed as a result of an expanded scope of the watermain replacement on Dellwood/Treebank. The cost of these two projects is estimated at \$175,000 and \$85,000 respectively.

All sewer inflow and infiltration projects and the majority of the stormwater mains replacement projects will likely be shifted to 2016. These projects were part of a recent tender where no submissions were received. Staff have reviewed these projects to determine if in-house crews have the capacity to complete and, at this point, in-house crews will undertake a portion of the Cornwall/Carnsew stormwater mains project, but likely will not be able to complete any of the sewer inflow and infiltration projects. Staff are re-working a tender package that will garner more interest.

The sewer and stormwater system video inspection work has been delayed due to difficulties accessing some of the pipes. Staff are looking at different approaches for this work, including more use of the City's in-house workforce.

The Victoria Police Department facility project will meet the deliverables, except for the building of the ramp due to possible wet weather conditions. To mitigate risk to the City, it was determined to postpone the building of the ramp to 2016; thus \$150,000 of this budget will be shifted to 2016.

The City Hall Building Rehabilitation project deliverables include a new roof and repair of the south wall. The new roof will be completed in 2015; however the repair of the south wall will be postponed to 2016 to coordinate with the construction of the Pandora Street bike lane. It is estimated that \$75,000 will be shifted to 2016.

The Beacon Hill Administration Office Upgrade design phase is complete but the construction phase will be postponed to 2016 due to challenges with internal capacity and other high priority projects which have required additional staff support. The budget of \$140,000 will be shifted to 2016.

The Beacon Hill Park lighting upgrade project is experiencing cost pressures due to unanticipated archaeological issues. The scope for this year is being reduced to fit within the existing budget of this multi-year project.

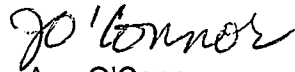
The Douglas Street retaining wall is expected to be under budget by \$400,000 as the tender came in below budget. The project is in progress; however will be completed in 2016. It is estimated that approximately \$300,000 will be shifted to 2016.

Staff are working diligently to complete the remaining capital work plan according to schedule, however unplanned or unforeseen factors could arise and delay completion dates. Requests to move the budget forward into next year can be made as part of the regular year-end budget process.

Staff Levels

Council approved a new parking ambassador model and a real estate function resulting in 17 and 1 additional full-time equivalent positions respectively. The City's full-time equivalent employee count has increased to 796.48 as outlined in Appendix C.

Respectfully submitted



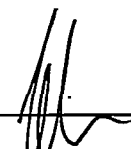
Jo-Ann O'Connor
Manager, Financial Planning



Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager: _____

Date: _____


October 30, 2015

List of Attachments

Appendix A – Summary of Operating Budget Revenues and Expenditures

Appendix B – Summary of Capital Budget Projects

Appendix C – Summary of Staffing Levels

Appendix A

City of Victoria - Operating Budget Revenues For the Nine Months Ending September 30, 2015

	Q3 2014 Actual	Q3 2015 Actual	2015 Budget	Budget Remaining	% Collected	Explanation for % collected that varies from 9 month budget allocation
Citizen Engagement and Strategic Planning						
Citizen Engagement, Neighbourhoods and interdisciplinary Team	8,042	24,625	3,000	(21,625)	821%	Cost recovery revenue received for the installation of the Morioka bell and downtown late night strategy
Parking Services	11,822,096	11,534,466	15,821,800	4,287,334	73%	
Deputy City Manager						
Arts, Culture & Events	127,159	69,190	187,850	118,660	37%	Transfer from public art reserve not yet recorded
Legislative and Regulatory Services	211,020	199,920	210,850	10,930	95%	Dog licences, animal control
Bylaw Enforcement Third Party Billing	16,253	63,401	-	(63,401)		Offsetting expenditures
Real Estate	838,943	1,020,200	1,506,093	485,893	68%	
Victoria Conference Centre (VCC)	2,788,954	2,017,612	3,955,600	1,937,988	51%	Internal transfers not recorded yet
VCC Event Costs Paid by Clients	2,271,632	1,851,729	4,100,000	2,248,271	45%	Full recovery of related expenditures
Engineering and Public Works						
Engineering and Public Works	267,883	315,783	347,356	31,573	91%	Land development applications
Third Party Billings	362,591	533,634	528,400	(5,234)	101%	Offsetting expenditures
Solid Waste & Recycling	1,234,131	1,966,090	2,896,051	929,961	68%	Timing of billings
Sewer Utility	3,496,964	5,235,028	7,870,230	2,635,202	67%	Timing of billings
Water Utility	7,173,305	11,572,062	18,556,750	6,984,688	62%	Timing of billings
Parks, Recreation and Facilities	2,246,704	2,092,854	2,304,273	211,419	91%	Park and field rentals, aquatic recreation programs
Sustainable Planning and Community Development	1,892,278	2,772,432	2,853,646	81,214	97%	Rezoning applications
Victoria Fire Department	52,033	83,732	56,000	(27,732)	150%	Oil burner permits, fire safety plan reviews
Corporate						
Payment in Lieu of Taxes/Special Assessments	4,506,198	4,301,694	7,076,685	2,774,991	61%	Payments received later in the year
Fees and Interest	105,361	2,782,405	3,090,000	307,595	90%	Year end entry not yet recorded
Business and Other Licences	1,403,948	1,409,011	1,387,500	(21,511)	102%	Timing of billings
Overhead Recoveries	1,492,192	1,532,444	3,158,259	1,625,815	49%	Timing of allocations
Miscellaneous	637,442	3,493,468	7,432,242	3,938,774	47%	Gas tax, traffic fine revenue
Hotel Tax	1,024,400	1,265,973	1,800,000	534,027	70%	Offsetting expenditures
Prior Year's Surplus	3,474,559		2,888,482	2,888,482	0%	Timing of allocations
Victoria Police Department	7,220,143	5,752,922	7,693,627	1,940,705	75%	
Property Taxes	116,176,010	121,636,105	121,635,023	(1,082)	100%	
TOTAL	170,860,238	183,526,780	217,359,717	33,832,937	84%	

Appendix A

City of Victoria - Operating Budget Expenditures For the Nine Months Ending September 30, 2015

	Q3 2014 Actual	Q3 2015 Actual	2015 Budget	Budget Remaining	% Spent	Explanation for % spent that varies from 9 month budget allocation
Citizen Engagement and Strategic Planning				-		
Citizen Engagement, Neighbourhoods and Interdisciplinary Team	1,333,186	1,600,573	2,239,403	638,830	71%	
Parking Services	4,041,152	4,565,074	7,363,917	2,798,843	62%	
City Manager's Office	341,824	195,149	284,709	89,560	69%	
Council	412,823	429,146	575,372	146,226	75%	
Deputy City Manager	-	271,193	371,904	100,711	73%	
Arts, Culture & Events	771,316	910,509	1,222,962	312,453	74%	
Economic Development	131,453	26,718	250,000	223,282	11%	
Human Resources	1,206,643	1,402,194	1,609,246	207,052	87%	Recruitment expenses
Legislative and Regulatory Services	2,177,830	2,127,768	2,839,652	711,884	75%	
Real Estate	251,920	349,899	1,183,618	833,719	30%	Transfer to reserve not recorded yet
Victoria Conference Centre (VCC)	2,390,190	2,606,128	3,955,600	1,349,472	66%	
VCC Event Costs Paid by Clients	1,919,175	1,544,232	4,100,000	2,555,768	38%	Full cost recovery
Engineering and Public Works						
Engineering and Public Works	10,151,963	10,678,079	14,523,112	3,845,033	74%	
Third Party Billings	362,579	788,311	428,400	(359,911)	184%	Offsetting revenues
Solid Waste & Recycling	1,961,037	1,970,580	2,896,051	925,471	68%	
Water Utility	8,953,120	9,026,824	18,556,750	9,529,926	49%	Transfers to capital & reserves not recorded yet
Sewer Utility	2,355,459	2,425,020	7,870,230	5,445,210	31%	Transfers to capital & reserves not recorded yet
Stormwater Utility	2,065,844	2,225,569	3,238,105	1,012,536	69%	
Finance	4,679,508	4,934,426	6,641,700	1,707,274	74%	
Legal Services	528,114	462,462	703,241	240,779	66%	
Parks, Recreation and Facilities						
Parks	6,452,614	6,945,001	9,723,620	2,778,619	71%	
Recreation	2,950,544	2,920,985	3,905,704	984,719	75%	
Facilities	2,015,023	2,398,058	3,625,791	1,227,733	66%	
Sustainable Planning and Community Development	3,033,009	3,251,204	5,004,218	1,753,014	65%	
Victoria Fire Department	10,434,648	11,604,175	15,523,423	3,919,248	75%	
Corporate						
Contingencies	-	105,637	1,170,000	1,064,363	9%	Housing Action Plan costs
Debt Principal, Interest and Reserve Transfer	2,645,501	2,232,448	7,827,583	5,595,135	29%	Timing of debt payments
Grants	2,119,555	3,122,273	2,692,935	(429,338)	116%	Payment of Housing Reserve grant
Hotel Tax	1,142,897	1,234,272	1,800,000	565,728	69%	Offsetting revenue budget
Miscellaneous	1,791,002	1,363,542	3,895,100	2,531,558	35%	Year end entries not recorded yet
Transfer to VCC	701,000	-	469,530	469,530	0%	Transfer to reserve not recorded yet
Transfers to Reserve	13,034,205	(614,235)	14,132,893	14,747,128	-4%	Transfer to reserve not recorded yet
Transfer to Capital Budget	-	-	12,927,242	12,927,242	0%	Year end transfer not recorded yet
Greater Victoria Public Library	3,199,853	3,356,836	4,562,523	1,205,687	74%	
Victoria Police Department	32,391,258	34,859,762	49,245,183	14,385,421	71%	
Total	127,946,248	121,319,811	217,359,717	96,039,906	56%	

Appendix B

City of Victoria Capital Budget Expenditures For the Nine Months Ending September 30, 2015

	Q3 Actual	2015 Budget	Budget Remaining	% Spent
Capital Equipment	2,016,627	6,525,320	4,508,693	31%
Capital Programs and Projects				
Active Transportation	697,873	5,086,500	4,388,627	14%
Complete Streets	3,549,248	4,481,200	931,952	79%
Downtown Beautification	63,283	303,000	239,717	21%
Parks	275,699	2,870,920	2,595,221	10%
Street Infrastructure	31,763	122,000	90,237	26%
Retaining Walls and Railings	433,082	2,305,555	1,872,473	19%
Bridges	16,654,605	34,613,381	17,958,776	48%
Facilities	1,714,539	6,135,500	4,420,961	28%
Land Purchase	7,965,997	8,000,000	34,003	100%
Environmental Remediation	694,076	1,942,000	1,247,924	36%
Sanitary Sewers	1,824,256	3,067,852	1,243,596	59%
Stormwater	1,818,659	4,183,436	2,364,777	43%
Waterworks	2,567,541	3,831,218	1,263,677	67%
Victoria Police	607,792	1,566,000	958,208	39%
Total	40,915,042	85,033,882	44,118,840	48%

Appendix C

City of Victoria Budgeted Full-time Equivalent Employees by Department For the Nine Months Ending September 30, 2015

	Restated 2015 FTE	Approved Changes	Revised 2015 FTE	Comments
Citizen Engagement and Strategic Planning	42.65	17.00	59.65	Parking ambassadors
City Manager's Office	1.00		1.00	
Deputy City Manager	1.00		1.00	
Arts, Culture & Events	7.00		7.00	
Economic Development	1.00		1.00	
Human Resources	10.00		10.00	
Legislative and Regulatory Services	21.28		21.28	
Real Estate	1.00	1.00	2.00	New real estate function
Victoria Conference Centre	14.62		14.62	
Engineering & Public Works	296.72		296.72	
Finance	63.21		63.21	
Legal Services	4.00		4.00	
Parks, Recreation and Facilities	149.48		149.48	
Sustainable Planning and Community Development	42.43		42.43	
Victoria Fire Department	123.09		123.09	
Total	778.48	18.00	796.48	

Note: 2015 FTEs have been restated to reflect departmental reorganizations where employees shifted between departments