



Governance and Priorities Committee Report

For the Meeting of August 20, 2015

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

Date: August 7, 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 June 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 June 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 June 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 June 30, 2015, the overall operating revenues and expenditures are 74% and 38% respectively of the annual budgeted amounts. This compares to 72% and 38% in the prior fiscal period. A summary of the actual operating revenues and expenditures compared to the budget is attached in Appendix A.

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

Development revenues are 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.

Parking revenues are trending to have a shortfall of approximately \$300,000. As a result of the changes made to parking services, parkade and on-street parking revenues are exceeding expectations by a projected \$500,000 whereas parking fine revenue is projected to be down approximately \$800,000. These revenues are being monitored closely.

At this point, expenditures are expected to be within budget.

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

Capital Budget

As of June 30, 2015, the actual capital expenditures are at 33% spent of total budgeted expenditures for the year, compared to 21% 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 in the near future, which may result in shifting of budget to 2016.

Construction of the Pioneer Square project has been delayed to 2016 to allow for exploring ways to reuse some of the tombstones currently held in storage within the design. One meeting with the Pioneer Square advisory group has been held to review several concepts and a final concept for review is currently being designed. The budget for 2015 is \$135,000 and will be shifted to 2016.

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.

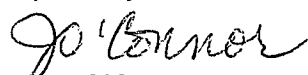
On July 23, Council approved amending the 2015 Financial Plan to increase the budget for the Johnson Street Replacement by \$2.554 million. The adoption of this bylaw amendment is scheduled for August 27.

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

There were no staffing changes in this quarter and the City's full-time equivalent employee count remains at 778.48 as outlined in Appendix C. In preparation for the implementation of the new parking ambassador model in January 2016, recruitment will commence in September.

Respectfully submitted

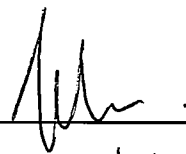


Jo-Ann O'Connor
Manager, Financial Planning



Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager: _____



Date: _____

August 14, 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 Six Months Ending June 30, 2015

| | Q2 2014 Actual | Q2 2015 Actual | 2015 Budget | Budget Remaining | % Collected | Explanation for % collected that varies from 6 month budget allocation |
|---|--------------------|--------------------|--------------------|---------------------|----------------|---|
| Engineering and Public Works | | | | | | |
| Engineering and Public Works | 246,624 | 238,225 | 340,356 | 102,131 | 70% | |
| Third Party Billings | 155,671 | 174,361 | 528,400 | 354,039 | 33% | Offsetting expenditure budget |
| Parking Services | 7,733,003 | 7,418,758 | 15,677,800 | 8,259,042 | 47% | |
| Solid Waste & Recycling | 981,658 | 1,215,708 | 2,896,051 | 1,680,343 | 42% | Timing of billings |
| Sewer Utility | 3,124,702 | 3,427,665 | 7,870,230 | 4,442,565 | 44% | Timing of billings |
| Water Utility | 5,695,550 | 6,600,432 | 18,556,750 | 11,956,318 | 36% | Timing of billings |
| Citizen Engagement and Strategic Planning | - | 12,000 | - | (12,000) | | Protocol-grant-installation of Morioka bell |
| Legislative and Regulatory Services | 718,937 | 687,079 | 1,506,192 | 819,113 | 46% | |
| Parks and Recreation | 1,646,240 | 1,548,706 | 2,636,123 | 1,087,417 | 59% | |
| Sustainable Planning and Community Development | 1,295,853 | 1,607,799 | 2,853,646 | 1,245,847 | 56% | Rezoning applications |
| Victoria Conference Centre (VCC) | 1,196,652 | 1,325,306 | 4,339,529 | 3,014,223 | 31% | Timing of internal transfers |
| VCC Event Costs Paid by Clients | 1,379,650 | 1,384,094 | 4,100,000 | 2,715,906 | 34% | Full recovery & timing of billings |
| Victoria Fire Department | 30,211 | 47,842 | 56,000 | 8,158 | 85% | Oil burner permits, fire safety plan review |
| Corporate | | | | | | |
| Payment in Lieu of Taxes/Special Assessments | 1,075,788 | 2,362,460 | 7,076,685 | 4,714,225 | 33% | Payments received later in the year |
| Fees and Interest | 1,276,746 | 1,789,021 | 3,090,000 | 1,300,979 | 58% | |
| Business and Other Licences | 1,373,425 | 1,380,770 | 1,387,500 | 6,730 | 100% | |
| Overhead Recoveries | 994,794 | 1,021,629 | 3,158,259 | 2,136,630 | 32% | Timing of 2015 allocation |
| Miscellaneous | 413,616 | 3,210,168 | 7,288,710 | 4,078,542 | 44% | Gas Tax, Traffic Fine Revenue |
| Hotel Tax | 252,485 | 1,037,997 | 1,800,000 | 762,003 | 58% | Offsetting expenditure budget |
| Prior Year's Surplus | - | - | 2,898,482 | 2,898,482 | 0% | Timing of 2015 allocation |
| Strategic Objectives Fund | - | - | 143,532 | 143,532 | 0% | Timing of 2015 allocation |
| Victoria Police Department | 5,244,028 | 3,698,464 | 7,693,627 | 3,995,163 | 48% | |
| Property Taxes | 116,176,010 | 121,636,105 | 121,635,023 | (1,082) | 100% | |
| Total | 151,011,642 | 161,824,590 | 217,532,895 | 55,708,305 | 74% | |

Appendix A

City of Victoria - Operating Budget Expenditures For the Six Months Ending June 30, 2015

| | Q2 2014 Actual | Q2 2015 Actual | 2015 Budget | Budget Remaining | % Spent | Explanation for % spent that varies from 6 month budget allocation |
|---|-------------------|-------------------|--------------------|---------------------|------------|---|
| Council | 286,144 | 305,193 | 575,372 | 270,179 | 53% | |
| City Manager's Office | 245,146 | 146,070 | 284,709 | 138,639 | 51% | |
| Citizen Engagement and Strategic Planning | 565,196 | 780,018 | 1,499,974 | 719,956 | 52% | |
| Engineering and Public Works | | | | | | |
| Engineering and Public Works | 9,259,768 | 10,369,149 | 21,827,382 | 11,458,234 | 48% | |
| Third Party Billings | 504,577 | 542,272 | 428,400 | (113,872) | 127% | Offsetting expenditure budget |
| Parking Services | 2,538,034 | 2,380,328 | 7,497,800 | 5,117,472 | 32% | Timing of debt payment & transfer to reserve |
| Solid Waste & Recycling | 1,258,826 | 1,216,953 | 2,896,051 | 1,679,098 | 42% | Timing of billings |
| Sewer Utility | 1,594,861 | 1,653,233 | 7,870,230 | 6,216,997 | 21% | Transfers to capital & reserves |
| Water Utility | 5,259,834 | 5,120,626 | 18,556,750 | 13,436,124 | 28% | Transfers to capital & reserves |
| Finance | 3,301,350 | 3,278,080 | 6,384,700 | 3,106,620 | 51% | |
| Human Resources | 828,829 | 978,757 | 1,609,246 | 630,489 | 61% | Recruitment Expenses |
| Legal Services | 367,949 | 284,074 | 703,241 | 419,167 | 40% | |
| Legislative and Regulatory Services | 1,629,517 | 1,629,684 | 3,981,662 | 2,351,978 | 41% | |
| Parks, Recreation and Culture | 6,553,656 | 6,740,477 | 14,897,072 | 8,156,595 | 45% | |
| Sustainable Planning and Community Development | 2,043,921 | 2,298,138 | 5,004,218 | 2,706,080 | 46% | |
| Victoria Conference Centre (VCC) | 1,573,639 | 1,794,733 | 4,339,529 | 2,544,796 | 41% | |
| VCC Event Costs Paid by Clients | 428,273 | 912,155 | 4,100,000 | 3,187,845 | 22% | Full recovery & timing of billings |
| Victoria Fire Department | 7,358,105 | 8,057,714 | 15,523,423 | 7,465,709 | 52% | |
| Corporate | | | | | | |
| Contingencies | - | - | 1,200,971 | 1,200,971 | 0% | |
| Strategic Objectives Fund | - | - | 1,625,914 | 1,625,914 | 0% | |
| Hotel Tax | 1,002,485 | 1,234,272 | 1,800,000 | 565,728 | 69% | Offsetting expenditure budget |
| Transfer to VCC | - | - | 642,708 | 642,708 | 0% | Timing of 2015 allocation |
| Transfers to Reserve | 126,805 | 113,078 | 15,277,891 | 15,164,813 | 1% | Timing of 2015 allocation |
| Vehicle Depreciation Recovery | (500,000) | (500,000) | (1,000,000) | (500,000) | 50% | |
| Miscellaneous | 1,652,465 | 632,780 | 2,524,350 | 1,891,570 | 25% | |
| Grants | 1,958,398 | 2,804,341 | 2,811,771 | 7,430 | 100% | Payment of Housing Reserve grant |
| Debt Principal, Interest and Reserve Transfer | 2,645,501 | 2,770,839 | 7,827,583 | 5,056,744 | 35% | |
| Transfer to Capital Budget: | - | - | 13,034,242 | 13,034,242 | 0% | Year end transfer |
| Greater Victoria Public Library | 2,069,972 | 2,237,891 | 4,562,523 | 2,324,633 | 49% | |
| Victoria Police Department | 22,394,286 | 24,006,093 | 49,245,183 | 25,239,090 | 49% | |
| Total | 76,947,537 | 81,786,948 | 217,532,895 | 135,745,947 | 38% | |

Appendix B

City of Victoria Capital Budget Expenditures For the Six Months Ending June 30, 2015

| | Q2 Actual | 2015 Budget | Budget Remaining | % Spent |
|--------------------------------------|-------------------|-------------------|---------------------|------------|
| Capital Equipment | 1,398,739 | 6,525,320 | 5,126,581 | 21% |
| Capital Programs and Projects | | | | |
| Active Transportation | 314,565 | 5,086,500 | 4,771,935 | 6% |
| Complete Streets | 2,059,295 | 4,481,200 | 2,421,905 | 46% |
| Downtown Beautification | 52,797 | 303,000 | 250,203 | 17% |
| Parks | 38,282 | 2,720,920 | 2,682,638 | 1% |
| Street Infrastructure | 9,073 | 122,000 | 112,927 | 7% |
| Retaining Walls and Railings | 255,106 | 2,305,555 | 2,050,449 | 11% |
| Bridges | 9,364,254 | 32,059,381 | 22,695,127 | 29% |
| Facilities | 705,809 | 6,135,500 | 5,429,691 | 12% |
| Land Purchase | 7,965,997 | 8,000,000 | 34,003 | 100% |
| Environmental Remediation | 499,498 | 1,942,000 | 1,442,502 | 26% |
| Sanitary Sewers | 987,288 | 3,067,852 | 2,080,564 | 32% |
| Stormwater | 991,149 | 4,183,436 | 3,192,287 | 24% |
| Waterworks | 1,801,031 | 3,831,218 | 2,030,188 | 47% |
| Police | 465,780 | 1,566,000 | 1,100,220 | 30% |
| Total Capital Expenditures | 26,908,662 | 82,329,882 | 55,421,220 | 33% |

Appendix C

City of Victoria Budgeted Full-time Equivalent Employees by Department

| | FTE Draft Financial Plan 2015 | Changes | FTE Adopted Financial Plan 2015 | Comments |
|--|-------------------------------------|-------------|---------------------------------------|--|
| City Manager's Office | 1.00 | | 1.00 | |
| Human Resources | 10.00 | | 10.00 | |
| Victoria Conference Centre | 15.62 | | 15.62 | |
| Legislative and Regulatory Services | 23.28 | | 23.28 | |
| Legal Services | 4.00 | | 4.00 | |
| Citizen Engagement and Strategic Planning | 15.60 | | 15.60 | |
| Finance | 63.21 | | 63.21 | |
| Parks, Recreation and Culture | 144.00 | | 144.00 | |
| Victoria Fire Department | 120.09 | | 120.09 | |
| Victoria Emergency Management Agency | 3.00 | | 3.00 | |
| Engineering & Public Works | 331.50 | 1.75 | 333.25 | Approved supplementary - Sidewalk, concrete and brick paver intersection maintenance |
| Sustainable Planning and Community Development | 42.43 | | 42.43 | |
| Interdisciplinary Team | 0.00 | 3.00 | 3.00 | Identified in the Strategic Plan and approved through the Financial Plan |
| Total | 773.73 | 4.75 | 778.48 | |