



Governance and Priorities Committee Report

For the Meeting of October 23, 2014

To: Governance and Priorities Committee
From: Susanne Thompson, Director of Finance
Subject: 2014 Third Quarter Budget Status

Date: October 9, 2014

Executive Summary

Under 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. 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 its status is reported quarterly to Council. Each report highlights any variances and recommends adjustments, if any, to the five-year financial plan bylaw.

This report outlines the status of the 2014 budget as of September 30, 2014 and summarizes previous Council motions to amend the five-year financial plan bylaw.

Recommendation:

That Council receive this report for information.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Susanne Thompson'.

Susanne Thompson, CPA, CGA
Director of Finance

Report accepted and recommended by the City Manager: _____

Date: _____

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October 16, 2014

List of Attachments

- Appendix A – Summary of Operating Budget Revenues and Expenditures
- Appendix B – Summary of Capital Budget Programs and Projects

Purpose

To provide Council with an update on the 2014 operating and capital budgets for the nine months ending September 30, 2014 and summarize previous Council motions to amend the five year financial plan bylaw.

Background

Under section 165 of the Community Charter, Council approves a five year financial plan bylaw annually.

The financial plan is reviewed regularly during the year and its status is reported quarterly to Council. Each report highlights any variances and recommends adjustments, if any, to the five year financial plan bylaw.

Issues & Analysis

Operating Budget

Appendix A provides a summary of the operating budget revenues and expenditures for the period ending September 30, 2014.

REVENUES

Revenues vary depending on the timing of receipt of the revenues. For example, payments in lieu of taxes are generally collected in the latter half of the year and property taxes are levied in May and due the beginning of July. At this point, the majority of revenues are expected to be on budget; however, the following two revenue budget items are being monitored closely.

Payments in lieu of taxes

Provincial payments in lieu of taxes are approximately \$500,000 less than budgeted. The Province appraised many of their buildings this year and BC Assessment agreed to reduce the assessed values based on those appraisals. This translates into a revenue loss for the City. Federal payments in lieu of taxes are typically received in November, so the bottom line impact to the budget will not be known until then. However, in all likelihood there will be a shortfall of approximately \$400,000.

Parking fine revenue

There may be a net revenue shortfall of approximately \$100,000 due to more lenient parking enforcement. However, parkade revenue is higher than expected so part of this revenue loss may be offset. In addition, staff are exploring ways of reducing expenditures to mitigate this potential revenue loss.

EXPENDITURES

Expenditures vary depending on the seasonal nature of the work programs. At this point, expenditures are expected to be within budget. Noted below are two Council motions regarding expenditures and the proposed actions related to them.

Victoria Silver Threads Relocation

On May 29, 2014 Council approved a one-time grant of \$200,000 from 2013 surplus to the Victoria Silver Threads should they elect to relocate, subject to receiving a letter from their board stating that this financial commitment absolves the City of further financial responsibility for their relocation. The City has received this letter and they do intend to move. The approved five year financial plan bylaw transferred the majority of the 2013 surplus to the Buildings and Infrastructure Reserve. To accommodate this grant, the transfer will be reduced by \$200,000.

Council Contingency Fund

On April 24, 2014, Council directed staff to create a Council contingency fund of \$124,559 and develop a process for allocating the fund based on Council's three year strategic plan. Council has subsequently allocated \$226 as a grant to Recreation Integration, \$2,694 as a grant to Victoria Heritage Foundation, and \$121,639 for active transportation. Consequently the entire contingency fund has been allocated. Should Council wish to create such a fund in the future, the suggested process for allocating the funding would be through Council motion referencing the relevant strategic plan objective.

Capital Budget

Appendix B provides a summary of capital programs and projects.

Although only 33.67% has been spent to date overall, when factoring in purchase order commitments in place, capital programs are at 69.01% spent and capital equipment at 56.10% spent and are expected to be fully, or close to fully, expended by the end of the year. Capital project start and finish dates vary. Capital projects including commitments are currently at 87.24%.

Staff are working diligently to complete the capital work plan according to schedule, however, should a project be unable to be completed by the end of the year, requests to move the budget forward into next year can be made as part of the regular year-end budget process. At this point, the majority of projects are expected to be completed according to schedule. However, two projects (noted below) will be moved into the 2015 budget, and two additional projects (previously identified in the First Quarter Budget Status Update report and also noted below) will likely require additional funding in future years. Any additional funding requests for future years will be identified for Council's consideration as part of the 2015 financial planning process.

David Foster Harbour Pathway

The budget for David Foster Harbour Pathway will not be fully spent this year and the remaining budget will be moved to 2015. This is a multi-year project and the budget will be realigned to correspond with the workplan.

Crystal Pool Infrastructure Upgrades

The regular annual shut-down took place in September, but major system upgrades will not occur this year. The remaining budget will be moved to 2015. A report detailing the re-investment strategy for the pool systems will be brought to Council early in 2015.

Facilities – Mould at Police Headquarters

As outlined in the First Quarter Budget Status Update report, mould was found in some rooms on the main floor of Police Headquarters and appears to be the result of a water leak. Staff have addressed immediate concerns within the existing 2014 facilities budget. However, additional work is required that may require additional funding. Any additional funding request for future years will be identified for Council's consideration as part of the 2015 financial planning process.

Public Works – Hydro Poles

As outlined in the First Quarter Budget Status Update report, BC Hydro will be replacing an additional 350 to 400 hydro poles in 2014/2015, which requires the City to replace street lights and arms that are mounted on the poles. The replacements taking place in 2014 will be covered within existing budgets, however, additional funding will be required for future years. Any additional funding request for future years will be identified for Council's consideration as part of the 2015 financial planning process.

Recommendations

That Council receive this report for information.

Appendix A
City of Victoria - Operating Budget Revenues
For the Nine Months Ending September 30, 2014

Description	Actual 30-Sep-13	Actual 30-Sep-14	2014 Budget	Budget Remaining	%	Comments
Corporate						
Payment in Lieu of Taxes	1,436,576	2,970,683	6,077,500	3,106,817	49%	Payments are received later in the year
Special Assessments	1,506,548	1,535,515	1,489,631	(45,884)	103%	
Fees and Interest	178,559	1,034,760	2,480,000	1,445,240	42%	Interest recorded as earned
Business and Other Licences	1,354,921	1,402,838	1,385,500	(17,338)	101%	
Overhead Recoveries	1,447,192	1,492,192	2,773,266	1,281,074	54%	
Miscellaneous	773,022	2,267,609	3,866,464	1,598,855	59%	
Hotel Tax	1,077,652	1,024,400	1,800,000	775,600	57%	Offsetting expenditure budget
Prior Year's Surplus	1,228,387	3,474,559	3,474,559	-	100%	
Legislative and Regulatory Services	896,877	962,178	864,000	(98,178)	111%	
Human Resources	5,019	-	118,156	118,156	0%	
Sustainable Planning and Community Development	1,968,462	1,886,306	2,529,050	642,744	75%	
Engineering and Public Works						
Asphalt Plant, Permits & Fees, Municipal Access Agreement	432,013	(163,132)	421,707	584,839	-39%	
Third Party Billings	(14,641)	283,859	525,000	241,141	54%	Offsetting expenditures
Parking Services	11,865,729	11,611,796	16,120,000	4,508,204	72%	
Solid Waste Operations	1,800,866	1,667,953	2,836,914	1,168,961	59%	Timing of Billings
Subtotal Engineering and Public Works	14,083,967	13,400,476	19,903,621	14,141,270	67%	
Parks, Recreation and Culture						
Parks	781,151	746,928	796,828	49,900	94%	
Culture	74,030	92,769	177,975	85,206	52%	
Crystal Pool	687,200	726,586	937,256	210,670	78%	
Royal Athletic Park	502,551	386,665	462,500	75,835	84%	
Community Recreation	303,879	346,650	383,515	36,865	90%	
Subtotal Parks, Recreation and Culture	2,348,811	2,299,598	2,758,074	458,476	83%	
Fire Department/VEMA	66,296	51,733	44,250	(7,483)	117%	
Police	7,250,500	7,168,758	9,886,019	2,717,261	73%	
Property Taxes	111,993,215	116,176,010	116,174,865	(1,145)	100%	
Total City Operations	147,616,004	157,147,615	175,624,955	18,477,340	89%	
Self Financed Programs						
Conference Centre	5,840,084	5,147,448	8,494,422	3,346,974	61%	Partially self-financed
Water Utility	11,427,342	9,498,639	17,867,850	8,369,211	53%	Timing of billings
Sewer Utility	5,430,166	4,642,725	7,870,233	3,227,508	59%	Timing of billings
Total Self Financed	22,697,592	19,288,812	34,232,505	14,943,693	56%	
	170,313,596	176,436,427	209,857,460	33,421,033	84%	

Appendix A
City of Victoria - Operating Budget Expenditures
For the Nine Months Ending September 30, 2014

Description	Actual 30-Sep-13	Actual 30-Sep-14	2014 Budget	Budget Remaining	%	Comments
Corporate						
Greater Victoria Public Library	3,104,957	3,199,853	4,439,201	1,239,348	72%	
Debt Principal, Interest and Reserve Transfer	3,606,121	2,645,501	7,827,583	5,182,082	34%	Year-end transfer
Transfer to Capital Budget	-	-	12,371,491	12,371,491	0%	Year-end transfer
Contingencies	-	-	2,687,000	2,687,000	0%	
Hotel Tax	1,152,160	1,142,897	1,800,000	657,103	63%	Offsetting revenue
Transfer to VCC	920,126	701,000	701,000	-	100%	
Transfers to Reserve	9,358,333	13,784,205	14,447,400	663,195	95%	
Vehicle Depreciation Allocation	(894,000)	(750,000)	(1,000,000)	(250,000)	75%	
Miscellaneous	1,934,879	2,320,685	2,569,218	248,533	90%	
Council	410,911	412,769	581,648	168,879	71%	
Offices of the Mayor and City Manager	1,074,049	618,318	834,626	216,308	74%	
Finance	4,499,104	4,661,205	6,160,361	1,499,156	76%	
Human Resources	1,104,584	1,200,266	1,694,548	494,282	71%	
Sustainability Department	453,765	-	-	-	0%	
Legislative and Regulatory Service	2,335,009	2,387,948	3,781,704	1,393,756	63%	
Office of the City Solicitor	481,403	528,102	768,017	239,915	69%	
Citizen Engagement and Strategic Planning	464,314	593,931	827,719	233,788	72%	
Sustainable Planning and Community Development	3,687,084	3,740,028	5,277,073	1,537,045	71%	
Engineering and Public Works						
Public Works	9,312,591	9,082,993	12,729,238	3,646,246	71%	
Support Services	1,052,475	1,046,788	1,304,594	257,806	80%	
Transportation	1,473,165	1,465,269	2,248,727	783,458	65%	
Third Party Billings	1,001,307	674,530	425,000	(249,530)	159%	Offsetting revenue
Underground Utilities and Facilities	2,386,737	2,551,241	4,208,466	1,657,225	61%	
Parking Services	4,962,380	4,134,742	7,940,000	3,805,258	52%	
Solid Waste & Recycling	1,997,107	1,967,702	2,836,914	869,212	69%	
Subtotal Engineering & Public Works	22,185,762	20,923,265	31,692,939	10,769,675	66%	
Parks, Recreation and Culture						
Parks, Rec & Culture Administration	286,182	159,407	304,635	145,228	52%	
Parks	6,240,054	6,233,518	9,211,036	2,977,518	68%	
Culture	947,327	1,113,984	1,277,239	163,255	87%	
Community Centres	682,919	867,264	906,067	38,803	96%	
Crystal Pool	1,452,334	1,603,118	2,223,463	620,345	72%	
Royal Athletic Park	666,006	480,797	619,205	138,408	78%	
Community Recreation	1,010,820	911,557	1,417,516	505,959	64%	
Subtotal Parks, Recreation and Culture	11,285,642	11,369,645	15,959,161	4,589,516	71%	
Fire Department						
Fire	9,452,640	10,142,963	13,719,292	3,576,329	74%	
Victoria Emergency Management Agency	288,701	290,224	438,849	148,625	66%	
Police Department	32,284,739	32,317,291	48,046,125	15,728,834	67%	
Total City Operations	109,190,283	112,230,096	175,624,955	63,394,860	64%	
Self Financed Programs						
Conference Centre	4,867,066	4,193,846	8,494,422	4,300,576	49%	Partially self-financed
Sewer Utility	2,448,377	2,334,415	7,870,233	5,535,818	30%	Year-end transfer to capital & reserves
Water Utility	9,219,934	8,921,380	17,867,850	8,946,470	50%	Year-end transfer to capital & reserves
Total Self Financed	16,535,377	15,449,641	34,232,505	18,782,864	45%	
	125,725,660	127,679,737	209,857,460	82,177,724	61%	

Appendix B
Capital Budget Expenditures
For the Nine Months Ending September 30, 2014

	2014 Actual	2014 Budget	Budget Remaining	% Spent
EXPENDITURES (excludes commitments)				
Capital Equipment	2,830,883	7,353,577	4,522,694	38.50%
Capital Programs				
Sewer Utility	1,974,083	3,790,303	1,816,220	52.08%
Water Utility	3,133,843	4,084,129	950,286	76.73%
Downtown Beautification	78,963	383,021	304,058	20.62%
Buildings	2,194,569	3,494,560	1,299,991	62.80%
Parks Upgrades	447,154	820,078	372,924	54.53%
Storm Drains	994,327	2,909,330	1,915,003	34.18%
Transportation and Streets	2,463,350	4,116,119	1,652,769	59.85%
	11,286,289	19,597,540	8,311,251	57.59%
Capital Projects (A)				
Sewer Utility	-	850,000	850,000	0.00%
Buildings	2,086,795	3,996,485	1,909,690	52.22%
Environmental and Shoreline	887,928	3,321,030	2,433,102	26.74%
Parks Acquisition	-	2,000,000	2,000,000	0.00%
Parks Upgrades, Pathways and Greenways	284,029	1,353,429	1,069,400	20.99%
Planning	81,707	479,935	398,228	17.02%
Storm Drains	1,038,864	2,065,360	1,026,496	50.30%
Transportation and Streets (A)	11,776,184	48,894,139	37,117,955	24.09%
	16,155,507	62,960,378	46,804,871	25.66%
Total Capital Expenditures	30,272,679	89,911,495	59,638,816	33.67%

Notes:

A Capital expenditures including commitments are as follows:

Equipment 56.10% spent
Programs 69.01% spent
Projects 87.24% spent
Total 80.72% spent

B Johnson Street Bridge Replacement is included under Transportation and Streets.