

DATE OF MEETING SEPTEMBER 21, 2022

AUTHORED BY DAN BAILEY, MANAGER, ACCOUNTING SERVICES

**SUBJECT FINANCIAL RESULTS FOR THE SIX MONTHS ENDING
2022-JUN-30**

OVERVIEW

Purpose of Report:

To present Council a summary of the financial results for the six months ending 2022-JUN-30.

DISCUSSION

The intent of this report is to provide Council with a summary of the City's financial results for the six months ending 2022-JUN-30 as compared to the 2022 Financial Plan.

Managers from all departments review monthly financial reports in order to identify budget variances as they occur, and to ensure that immediate action is taken to address any potential deficits.

Operations

Summary of Operating Position at 2022-JUN-30:

<i>Operating Fund</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus(Deficit) at June 30, 2022</i>	<i>Surplus(Deficit) Projected at Dec 31, 2022</i>
General	\$ 159,307,978	\$ 84,915,166	\$ 74,392,812	\$ 3,743,300
Sewer	15,605,630	17,537,743	(1,932,113)	79,700
Water	11,636,650	18,741,151	(7,104,501)	(436,300)
Total	\$ 186,550,258	\$ 121,194,060	\$ 65,356,198	\$ 3,386,700

The projected general fund operating surplus for the year is \$3,743,300. A portion of this estimated surplus is required to fund two reserves that have fallen below the minimum threshold requirements. The RCMP Contract and Snow and Ice Control reserves require top ups totalling \$1.6 million and \$130,000 respectively.

In addition, a significant amount of funding will be required in 2023 to meet the requirements of the Asset Retirement Obligations (ARO) accounting standard. This new Public Sector Accounting

Board (PSAB) standard mandates that the City record any legal obligations associated with retiring tangible capital assets. The 2023 ARO liability is unknown at this time, as assessments of City facilities are still in progress. There is currently no funding set aside for this, and it is recommended that the remaining 2022 operating surplus be transferred to the General Financial Stability Reserve to fund the 2023 ARO liability. If the General Financial Stability Reserve balance is insufficient to support the ARO standard, a repayment plan to bring the reserve back to its minimum required balance will be incorporated into the 2023-2027 Financial Plan.

The projected sewer fund operating surplus for the year is \$79,700 and the water operating fund is projected to have a deficit of \$436,300. Each year the financial plan includes an annual amount to be transferred from water operations to the water operating reserve. To mitigate the water deficit, the actual transfer from water operations will be reduced by \$436,300 to bring the projected 2022 water deficit to zero.

Assuming an even distribution of revenues and expenditures throughout the year, the current financial performance benchmark would be approximately 50% versus budget. Where significant variances over \$100,000 have been identified, staff have provided comments in the departmental sections listed in **Attachment A**.

The summary of operating results by department is documented at a more detailed level in **Attachment B**. This report lists the total year-to-date revenue and expenditures for the functions within each department. This listing illustrates, at a glance, the overall status of an individual service as at June 30 compared to the overall budget for that service for the entire year. The variance column displays the surplus or deficit for the year for each department. Positive values increase surplus, while negative amounts (displayed in parentheses) decrease surplus.

Projects

Projects that satisfy specific requirements as outlined in the City’s Capital Asset Policy are classified as capital expenditures and are accounted for in the City’s capital funds. Projects that are smaller in scope and below specific capitalization thresholds are classified as “Operating Projects” and are accounted for in the City’s operating funds. Unfinished projects at the end of the year are usually carried forward to be completed in the following year. Due to this, project variances usually do not impact the operating surplus value.

Attachment C outlines the project results by division for the six months ending 2022-JUN-30. Project statuses are defined as follows:

Status	Description
Complete	Project is fully complete and no additional costs are expected
Substantially Complete	Project is almost fully complete but there are a few minor costs still remaining to be incurred
In Progress	Project is currently underway
Not Started	Project has not been started but is anticipated to start by the end of the year
On Hold/Delayed/Cancelled	Project has not yet started or has been halted

For projects that have a ‘Complete’ status and come in under budget, any unused funds are transferred back to general reserves and/or other appropriate funding sources to fund future

projects. Projects may be considered complete from an operational perspective, but as there are often delays in receiving and processing invoices, projects are considered substantially complete until all costs are included.

The City of Nanaimo has a total project budget of \$145.9 million in 2022. This includes \$57.3 million of carry-forwards from 2021.

Project results by division as at 2022-JUN-30:

<i>Division</i>	<i>Budget</i>	<i>Actual</i>	<i>Commitments</i>	<i>Total</i>	<i>Variance</i>
City Administration	110,242	49,372	11,893	61,265	48,977
Corporate & Business					
Development	2,336,873	802,584	153,984	956,568	1,380,305
Corporate Services	10,186,801	949,436	819,612	1,769,048	8,417,753
Development Services	5,216,716	1,016,264	1,893,508	2,909,772	2,306,944
Fire	10,150,928	5,866,947	2,301,716	8,168,663	1,982,265
Parks, Recreation & Culture	16,775,311	3,015,680	6,562,441	9,578,121	7,197,190
Engineering & Public Works	43,018,456	6,364,076	11,557,091	17,921,167	25,097,289
Sewer	10,807,511	2,346,214	3,082,143	5,428,357	5,379,154
Water	47,295,100	5,257,047	31,378,178	36,635,225	10,659,875
Total	145,897,938	25,667,620	57,760,566	83,428,186	62,469,752

Project status by division as at 2022-JUN-30:

<i>Division</i>	<i># of Projects</i>	<i>Complete/ Substantially Complete</i>	<i>In Progress/ Ongoing</i>	<i>Not Started</i>	<i>On Hold/ Delayed/ Cancelled</i>
City Administration	14	0%	86%	14%	0%
Corporate & Business					
Development	16	31%	38%	25%	6%
Corporate Services	54	11%	57%	28%	4%
Development Services	38	8%	60%	32%	0%
Fire	18	33%	45%	11%	11%
Parks, Recreation & Culture	166	25%	43%	26%	6%
Engineering & Public Works	273	17%	54%	19%	10%
Sewer	76	21%	50%	17%	12%
Water	133	14%	57%	16%	13%
Total	788	18%	52%	21%	9%

CONCLUSION

As at June 30, the City is projecting an overall net surplus of \$3,386,700. The major contributors to this surplus are wage savings due to numerous staff vacancies, higher than anticipated building inspection revenues, savings due to the delayed start up of the Nanaimo Prosperity Corporation and higher than planned investment income as a result of rising interest rates.

SUMMARY POINTS

- The overall projected operating surplus for the 2022 fiscal year is \$3,386,700, which is broken down between the general operating fund at \$3,743,300, the sewer operating fund at \$79,700 and the water operating fund at (\$436,300).
- The annual transfer from water operations to the water operating reserve will be reduced by \$436,300 to bring the projected deficit to zero.
- \$83,428,186 of the \$145,897,938 project budget has been spent or committed as at 2022-JUN-30.

ATTACHMENTS

- Attachment A: Variance Analysis of the Operating Results for the Six Months Ending 2022-JUN-30 & Projections for the Year Ending 2022-DEC-31
- Attachment B: Summary of the Operating Results for the Six Months Ending 2022-JUN-30
- Attachment C: Project Results by Division for the Six Months Ending 2022-JUN-30

Submitted by:

Dan Bailey
Manager, Accounting Services

Concurrence by:

Dale Lindsay
General Manager, Development Services

Bill Sims
General Manager, Engineering & Public Works

Richard Harding
General Manager, Parks, Recreation and Culture

Laura Mercer
Director, Finance