

DATE OF MEETING SEPTEMBER 13, 2023

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**SUBJECT FINANCIAL RESULTS FOR THE SIX MONTHS ENDING
2023-JUN-30**

OVERVIEW

Purpose of Report:

To present the Finance and Audit Committee with a summary of the financial results for the six months ending 2023-JUN-30.

DISCUSSION

The intent of this report is to provide the Finance and Audit Committee with a summary of the City's financial results for the six months ending 2023-JUN-30 as compared to the 2023 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 2023-JUN-30:

<i>Operating Fund</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus(Deficit) at June 30, 2023</i>	<i>Surplus(Deficit) Projected at Dec 31, 2023</i>
General	\$ 170,824,817	\$ 91,596,494	\$ 79,228,323	\$ 3,918,700
Sewer	16,605,651	18,555,089	(1,949,438)	28,200
Water	11,897,661	18,036,264	(6,138,603)	(718,600)
Total	\$ 199,328,129	\$ 128,187,847	\$ 71,140,282	\$ 3,228,300

The projected general fund operating surplus for the year is \$3,918,700. A portion of this estimated surplus is required to fund the general financial stability reserve, which has fallen below the minimum balance threshold. A top-up totaling \$1,137,938 is necessary to bring the reserve balance up to the \$17,000,000 threshold.

The projected sewer fund operating surplus for the year is \$28,200. The sewer financial stability reserve requires a top-up of \$100,000 to increase the balance to the \$600,000 threshold. As the estimated sewer fund operating surplus is insufficient to top up the sewer financial stability reserve, the annual transfer from sewer operations to the sewer operating reserve will need to be reduced. The 2023 financial plan includes a \$1,734,474 contribution from sewer operations to the sewer operating reserve to fund future sewer projects. This transfer will be reduced by \$71,800 to account for the shortage.

The water operating fund is projected to have a deficit of \$718,600. The water financial stability reserve requires a top-up of \$48,945 to increase the balance to the \$1,750,000 threshold. To both mitigate the water deficit and top up the water financial stability reserve, the annual transfer from water operations to the water operating reserve will need to be reduced. The 2023 financial plan includes a \$7,967,266 contribution from water operations to the water operating reserve to fund future water projects. The actual transfer from water operations will be reduced by \$767,545 to both bring the projected 2023 water deficit to zero and top up the water financial stability reserve.

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 2023-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 \$168.5 million in 2023. This includes \$85.5 million of carry-forwards from 2022.

Project results by division as at 2023-JUN-30:

<i>Division</i>	<i>Budget</i>	<i>Actual</i>	<i>Commitments</i>	<i>Total</i>	<i>Variance</i>
City Administration	146,653	30,326	-	30,326	116,327
Corporate & Business Development	8,086,341	1,241,233	530,688	1,771,921	6,314,420
Corporate Services	13,237,873	1,051,519	2,787,789	3,839,308	9,398,565
Development Services	6,390,597	1,458,106	2,062,972	3,521,078	2,869,519
Fire	3,586,723	1,268,162	469,934	1,738,096	1,848,627
Parks, Recreation & Culture	24,974,607	2,916,677	13,859,274	16,775,951	8,198,656
Engineering & Public Works	51,004,220	3,985,704	17,946,491	21,932,195	29,072,025
Sewer	11,904,045	1,231,796	4,554,067	5,785,863	6,118,182
Water	49,169,513	15,889,969	24,770,268	40,660,237	8,509,276
Total	168,500,572	29,073,492	66,981,483	96,054,975	72,445,597

Project status by division as at 2023-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	15	7%	86%	7%	0%
Corporate & Business Development	14	14%	50%	36%	0%
Corporate Services	51	10%	66%	24%	0%
Development Services	56	9%	68%	21%	2%
Fire	30	30%	50%	20%	0%
Parks, Recreation & Culture	158	15%	59%	23%	3%
Engineering & Public Works	217	14%	63%	20%	3%
Sewer	55	20%	71%	9%	0%
Water	92	12%	75%	13%	0%
Total	688	14%	65%	19%	2%

CONCLUSION

As at June 30, the City is projecting an overall net surplus of \$3,228,300. The major contributors to this surplus are wage savings due to numerous staff vacancies, higher than anticipated building inspection revenues and higher than planned investment income as a result of rising interest rates.

SUMMARY POINTS

- The overall projected operating surplus for the 2023 fiscal year is \$3,228,300, which is broken down between the general operating fund at \$3,918,700, the sewer operating fund at \$28,200 and the water operating fund at (\$718,600)
- The three financial stability reserves require top-ups from surplus totaling \$1,286,883 to meet the 2023 minimum balance thresholds
- The annual transfer from water and sewer operations to the water and sewer operating reserves will be reduced to both top up the financial stability reserves and bring the projected water deficit to zero
- \$96,054,975 of the \$168,500,572 project budget has been spent or committed as at 2023-JUN-30

ATTACHMENTS

- Attachment A: Variance Analysis of the Operating Results for the Six Months Ending 2023-JUN-30 & Projections for the Year Ending 2023-DEC-31
- Attachment B: Summary of the Operating Results for the Six Months Ending 2023-JUN-30
- Attachment C: Project Results by Division for the Six Months Ending 2023-JUN-30

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