

DATE OF MEETING DECEMBER 13, 2023

AUTHORED BY DAN BAILEY, MANAGER, ACCOUNTING SERVICES

**SUBJECT FINANCIAL RESULTS FOR THE NINE MONTHS ENDING
2023-SEP-30**

OVERVIEW

Purpose of Report:

To present the Finance and Audit Committee with a summary of the financial results for the nine months ending 2023-SEP-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 nine months ending 2023-SEP-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-SEP-30:

<i>Operating Fund</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus(Deficit) at Sept 30, 2023</i>	<i>Surplus(Deficit) Projected at Dec 31, 2023</i>
General	\$ 185,594,405	\$ 138,430,596	\$ 47,163,809	\$ 4,358,300
Sewer	19,358,089	19,823,404	(465,315)	259,500
Water	18,804,330	22,462,970	(3,658,640)	34,200
Total	\$ 223,756,824	\$ 180,716,970	\$ 43,039,854	\$ 4,652,000

The projected general fund operating surplus for the year is \$4,358,300. 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. At the October 18th Finance and Audit committee meeting, Council also directed staff to allocate \$870,000 from the estimated 2023 general fund

operating surplus to be used as a 2024 project contingency budget. The remaining unallocated 2023 general fund operating surplus for the year is estimated to be \$2,350,362.

The projected sewer fund operating surplus for the year is \$259,500. The sewer financial stability reserve requires a top-up of \$100,000 to increase the balance to the \$600,000 threshold. The remaining unallocated 2023 sewer fund operating surplus is estimated to be \$159,500.

The projected water fund operating surplus for the year is \$34,200. The water financial stability reserve requires a top-up of \$48,945 to increase the balance to the \$1,750,000 threshold. As the estimated water fund operating surplus is insufficient to 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 \$14,745 to allow for the required water financial stability reserve top up.

Assuming an even distribution of revenues and expenditures throughout the year, the current financial performance benchmark would be approximately 75% 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 September 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 nine months ending 2023-SEP-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 \$176.8 million in 2023. This includes \$85.5 million of carry-forwards from 2022.

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

<i>Division</i>	<i>Budget</i>	<i>Actual</i>	<i>Commitments</i>	<i>Total</i>	<i>Variance</i>
City Administration	146,653	71,339	-	71,339	75,314
Corporate & Business Development	9,035,451	1,269,450	670,948	1,940,398	7,095,053
Corporate Services	13,180,873	3,224,676	3,146,508	6,371,184	6,809,689
Development Services	7,481,358	2,354,232	2,292,132	4,646,364	2,834,994
Fire	3,677,723	1,501,230	796,086	2,297,316	1,380,407
Parks, Recreation & Culture	26,352,985	6,448,506	12,578,611	19,027,117	7,325,868
Engineering & Public Works	55,820,173	8,513,588	16,784,252	25,297,840	30,522,333
Sewer	11,904,045	4,672,289	1,940,735	6,613,024	5,291,021
Water	49,200,355	23,291,568	18,104,568	41,396,136	7,804,219
Total	176,799,616	51,346,878	56,313,840	107,660,718	69,138,898

Project status by division as at 2023-SEP-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	13%	80%	7%	0%
Corporate & Business Development	17	12%	47%	41%	0%
Corporate Services	50	16%	64%	20%	0%
Development Services	61	10%	70%	20%	0%
Fire	32	31%	56%	13%	0%
Parks, Recreation & Culture	162	33%	50%	16%	1%
Engineering & Public Works	220	20%	61%	17%	2%
Sewer	55	22%	64%	9%	5%
Water	95	16%	71%	12%	1%
Total	707	22%	61%	16%	1%

CONCLUSION

As at September 30, the City is projecting an overall net surplus of \$4,652,000. The major contributors to this surplus are wage savings due to numerous staff vacancies and higher than anticipated investment income as a result of rising interest rates.

SUMMARY POINTS

- The overall projected operating surplus for the 2023 fiscal year is \$4,652,000, which is broken down between the general operating fund at \$4,358,300, the sewer operating fund at \$259,500 and the water operating fund at \$34,200.
- The three financial stability reserves require top-ups from surplus totaling \$1,286,883 to meet the 2023 minimum balance thresholds, and \$870,000 of the general fund operating surplus has been allocated to fund a 2024 project contingency budget.
- The annual transfer from water operations to the water operating reserve will be reduced by \$14,745 to top up the water financial stability reserve to its minimum balance.
- \$107,660,718 of the \$176,799,616 project budget has been spent or committed as at 2023-SEP-30.

ATTACHMENTS

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

Submitted by:

Dan Bailey
Manager, Accounting Services |

Concurrence by:

Richard Harding
General Manager, Parks, Recreation and
Culture

Bill Sims
General Manager, Engineering & Public
Works

Laura Mercer
Director, Finance |