



City of Port Moody

Report to Finance Committee

Date: October 17, 2019
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2019 Financial Plan Recast Results

Purpose

To provide a comprehensive Financial Plan update that includes a review of current and projected expenses, budget variances, labour vacancies, and extraordinary spending requirements.

Recommended Resolution(s)

THAT the report dated October 17, 2019 from the Finance and Technology Department – Financial Services Division regarding 2019 Financial Plan Recast Results be received for information.

Background

Each year, City departments are asked to prepare a recast budget that projects revenues and expenses to the end of the year, and compares the total expected revenues and expenses to their annual budget. Financial Services provided departments with reports that summarized each department's operating activity to August 31, 2019. Departments were asked to project revenue and expenses for the remaining four months to December 31, 2019. The recast process accomplishes the following important objectives:

- provides a coordinated approach for all departments to review their financial activity to ensure that the City is managing its overall budget effectively;
- allows managers an opportunity to adjust their work plans for the balance of the year in consideration of significant financial events;
- supports Council and the Chief Financial Officer's mandate to be fiscally responsible with taxpayer funds; and
- provides a mechanism to communicate to Council any unexpected challenges that have an unfavourable financial impact.

The recast budget is based on preliminary calculations that include a number of assumptions and approximations along with incomplete information about future revenues and expenses. As unforeseen issues may easily bring the surplus down during the remaining months in 2019, the amount of surplus indicated in this report is only a projection. It would be prudent to leave the surplus as a contingency for other unanticipated items that could develop over the balance of the year or to build the Accumulated Surplus to an acceptable level.

Discussion

Below is the projected overall general operating fund surplus for 2019:

	Budget	Projected Surplus/ (Deficit)		Main Drivers
General Operating Fund	\$39.557M	\$494,747	702,566	Salary savings
			(315,177)	Equipment and supplies
			(231,474)	Contracted Services
			181,059	Utilities surplus
			145,441	Revenue surplus
			12,332	Miscellaneous

Below is the projected general operating fund surplus by department for 2019:

Department	Budget	Projected Surplus/ (Deficit)		Main Drivers
City Administration	\$1.463M	\$68,263	\$56,163	Salary savings
			5,455	Civic functions
			6,645	Miscellaneous
Corporate Services	\$2.473M	\$7,692	\$137,800	Salary savings
			(117,747)	Contracted services
			(22,483)	Office renovation furnishings
			(11,164)	City events (car free day)
			9,585	Training
			11,701	Miscellaneous
Community Services	\$5.677M	(\$49,227)	(\$225,803)	Revenue shortfall
			148,000	Utilities
			58,501	Salary savings
			(44,204)	Supplies
			25,630	Equipment maintenance
			(10,000)	Contracted services
			(1,351)	Miscellaneous
Planning and Development	\$668K	\$260,458	\$132,342	Revenue surplus
			108,962	Salary savings
			8,321	Contracted services
			3,764	Training
			7,069	Miscellaneous
Engineering and Operations	\$2.605M	(\$39,056)	(\$153,625)	Supplies
			(133,420)	Contracted services
			120,410	Revenues
			112,953	Salary
			21,751	Utilities
			(7,125)	Miscellaneous

Environment and Parks	\$2.784M	(\$143,978)	(\$103,790) (77,951) 24,341 13,130 292	Supplies and equipment Salary Revenues Environmental initiatives Miscellaneous
Fire Rescue	\$8.402M	(\$82,581)	(\$78,741) (17,971) 14,131	Salary Garage charges Miscellaneous
Finance and Technology	\$2.765M	\$144,316	\$147,694 (1,486) (1,892)	Salary Software upgrades Miscellaneous
Library	\$1.822M	\$0	\$0	On target
Police	\$10.898M	\$255,000	\$235,000 15,000 14,000 (9,000)	Salary Traffic fine revenue Software upgrades CP lease revenue
Fiscal Services	(\$39.577M)	\$73,860	\$66,814 31,762 (12,525) (12,191)	Revenue Interest and penalty Other interest charges Miscellaneous
TOTAL	\$0	\$494,747		

In previous years, the City has typically transferred 75% of the annual operating surplus to the asset reserve. However, where a need to replenish a particular reserve is identified, Council may use its discretion in transferring surplus funds to achieve an acceptable balance. As the City uses its accumulated surplus as its fund for unforeseen expenses, staff recommend that the 75% transfer to the asset reserve not be undertaken, and that the entire annual estimated operating surplus of \$494,747 be transferred instead to accumulated surplus.

Projected net operating surplus does not account for any carry forward of departmental surpluses for works not completed due to position vacancies or time constraints.

Below is a table that indicates Departments projected surplus/(deficit) funds as a percentage of the approved budget:

Department	Approved Budget	Projected Surplus/(Deficit)	% of Approved Budget
City Administration	\$1,463,000	\$68,263	4.67%
Corporate Services	2,473,000	7,692	0.31%
Community Services	5,677,000	(49,227)	(0.87%)
Planning and Development	668,000	260,458	38.99%
Engineering and Operations	2,605,000	(39,056)	(1.50%)
Environment and Parks	2,784,000	(143,978)	(5.17%)
Fire-Rescue	8,402,000	(82,851)	(0.99%)
Finance and Technology	2,765,000	144,316	5.22%
Library	1,822,000	0	0.00%
Police	10,898,000	255,000	2.34%
Fiscal Services	(39,557,000)	73,860	0.19%
TOTAL	\$0	\$494,747	

The Solid Waste Utility Fund is on budget as outlined in the table below:

Solid Waste Utility	Projected Surplus/(Deficit)	Main Drivers
	87,036	Disposal costs
	44,641	Revenues
	(20,399)	Vehicles
	(8,898)	Salary
	(2,680)	Miscellaneous
	(105,060)	Transfers to Reserve
TOTAL	\$0	

The Sewer and Drainage Utility Fund is expected to have a surplus of \$100,738 as outlined in the table below:

Sewer and Drainage Utility Fund	Projected Surplus/(Deficit)	Main Drivers
	117,910	User fees
	(21,725)	Salary
	(21,353)	Equipment charges
	16,171	GVS&DD charges
	(15,604)	Supplies
	(12,754)	Vehicles
	13,801	Contractors and Consultants
	17,655	Reserve transfers
	6,637	Miscellaneous
TOTAL	\$100,738	

The Water Utility Fund is projected to have a deficit of (\$23,568) as outlined in the table below:

Water Utility Fund	Projected Surplus/(Deficit)	Main Drivers
	(155,328)	Contractors and Professional services
	25,944	Revenues
	21,003	Salary
	22,396	Supplies
	19,893	Metro Vancouver water purchases
	18,411	Insurance
	24,113	Miscellaneous
TOTAL	(\$23,568)	

The Major Road Network (MRN) fund is on budget as outlined in the table below:

Major Road Network (MRN)	Projected Surplus/(Deficit)	Main Drivers
	\$78,463	TransLink funding
	(48,514)	Contractors
	(28,103)	Supplies and materials
	(19,302)	Vehicles
	14,881	Salary
	2,575	Miscellaneous
TOTAL	\$0	

Other Option(s)

No other options are recommended.

Financial Implications

As discussed above, the City is projecting a general operating surplus of \$494,747 before transfer to the Capital Asset Reserve. Carry forward of departmental surpluses into 2020 have also not been reflected in this projection.

Overall, the City is on budget with the following Departments projecting budget deficits:

- **Community Services** is projecting a budget deficit of \$49,227, which was largely attributable to recreation program revenues less than budget as the emergency chiller replacement resulted in the cancellation of spring skating programs;
- **Engineering and Operations** is projecting a budget deficit of \$39,056, which was largely due to higher than anticipated snow and ice removal in early 2019, as well as costs to repair an unexpected water main break at Clarke Street;
- **Environment and Parks** is projecting a budget deficit of \$143,978, which was largely due to increased snow and ice removal in early 2019, as well as higher than anticipated maintenance costs for parks vehicles; and
- **Fire Rescue** is projecting a total budget deficit of \$82,581, which was largely due to overtime costs required to backfill staffing shortages caused by long term absences. As well, overtime was higher than anticipated due to significant events, such as the 4-alarm structure fire on Clarke Street in July.

The City's Solid Waste Utility Fund and Major Road Network (MRN) Fund are both projected to be on budget for 2019, while the Sewer and Drainage Utility Fund is projecting a surplus of \$100,738 and the Water Utility Fund is projecting a deficit of \$23,568, which was largely attributable to the unanticipated water main break repairs on Clark Street.

Communications and Civic Engagement Initiatives

There are no communications or civic engagement initiatives associated with this report.

Council Strategic Plan Objectives

In reporting the results of the 2019 Financial Plan recast, all departments are required to review their 2019 budgets and project future revenues and expenses to the end of the year. This promotes financial responsibility and sustainability, which is part of the strategic plan objective of Exceptional Service.

Report Author

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Report Approval Details

Document Title:	2019 Financial Plan Recast Results.docx
Attachments:	
Final Approval Date:	Oct 30, 2019

This report and all of its attachments were approved and signed as outlined below:

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