

## Council Agenda Information

COTW [Click and type date of meeting]  Regular Council March 09, 2020



# City of Campbell River Report/ Recommendation to Council

Date: February 24, 2020  
Submitted by: Finance Department  
Subject: Quarterly Financial Report – Q4, 2019

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## Purpose / Introduction

Council receives a quarterly financial report for information to ensure that Council has the relevant financial information to provide governance and oversight to the City of Campbell River.

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## Recommended Resolutions

**THAT the report dated February 24, 2020 from the Finance Department regarding the City's Quarterly Financial Report – Q4, 2019 be received for information.**

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## Background

The Quarterly Financial Report provides regular and timely information to Council on the progress of the work plan approved during Financial Planning. This report also ensures that the actual results are aligning with approved budgets and any variances are investigated and explained. The report includes the three core components of the budget, which are operating departmental budgets, one-time operating projects, and capital projects.

The Financial Plan Bylaw for 2019 was originally adopted in early December 2018 with projected carry forward balances on operating and capital projects based on the best information at the time. After the City's annual fiscal year cut-off, those carry forwards were adjusted to actual amounts remaining for completion of these projects. The results reported in this financial report are based on the revised carry forward amounts, and not the estimates approved during Financial Planning.

## Report/Recommendation to Council

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## Discussion

### Overview

The financial report for 2019 indicates how well the City performed relative to the prior year and to the financial plan approved by Council. The financial results for the year ended December 31, 2019 indicates of the 164 projects approved in the financial plan that: 89 projects were completed (2018 – 84), 15 are ongoing as multi-year projects and 60 have either been delayed until next year or have been cancelled (2018 – 53). The operational budget analysis indicates the City's performance during the last twelve months is consistent with the financial plan for the year.

The City's 2019 capital plan focused heavily on renewal of core assets and continued planning for the upgrades to Highway 19A between Simms Creek and the Big Rock Boat Ramp through an integrated waterfront project. This extensive three-year project includes the next phase of Highway 19A improvements between Rockland road and the southern limit of the Big Rock Boat Ramp site, as well as renewal of the waterfront sewer forcemain and several key lift stations between Rockland Road and the Maritime Heritage Centre. The first phase of the waterfront sewer forcemain work, up to 1<sup>st</sup> Avenue, was completed in the fall of 2018. During the year the construction of the waterfront forcemain continued south from 1<sup>st</sup> Avenue toward Rockland Road. The design for Highway 19A continued and construction on this project commenced in 2019 and will continue through 2020.

The operational budget analysis indicates the City's expenditures for the year are consistent with the financial plan for 2019. Revenues for the year were 99.54% of the budget while operating expenditures were 94.54% of the financial plan.

2020 is expected to be another busy year, and the overall 10-year Financial Plan ensures funding, employees, tools and equipment, programs and services to support community development and advancement, and plans ahead to spread out the costs of modest service enhancements.

### Operating Financial Report

The City's departmental operational revenues and expenses by core service area are summarized below, with a comparison to the same quarter in 2018, as well as the variance to the approved 2019 budget. There are no material financial concerns identified in the operating sections. Overall, City revenues are 99.54% (2018 – 99%) of budget and expenses are 94.54% (2018 – 82%) of budget.

It is important to note that the 2019-2029 Financial Plan Bylaw was amended in November 2019 and reported budgets have been updated accordingly.

## Report/Recommendation to Council

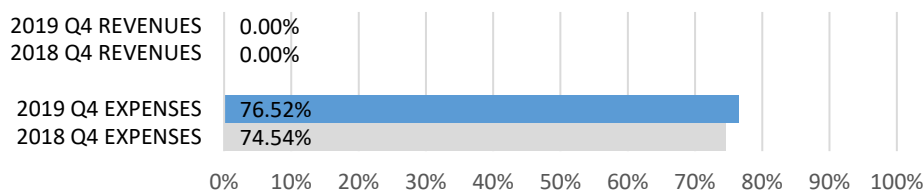
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	2018 Q4	2018 Budget	2019 Q4	2019 Budget	2019 Variance \$	2019 Variance %
<b>REVENUE</b>						
FISCAL SERVICES	(48,726,920)	(48,487,792)	(50,524,067)	(51,543,214)	(1,019,147)	98.02%
GOVERNANCE	-	-	-	-	-	0.00%
CORPORATE SERVICES	(394,987)	(402,487)	(432,301)	(414,663)	17,638	104.25%
RCMP	(751,418)	(764,743)	(706,659)	(761,263)	(54,604)	92.83%
FIRE	(1,816,643)	(1,780,668)	(1,901,644)	(1,845,973)	55,671	103.02%
ASSETS & OPERATIONS	(1,115,091)	(1,041,849)	(1,255,347)	(1,077,551)	177,796	116.50%
UTILITIES	(17,718,174)	(16,508,413)	(17,747,772)	(17,088,105)	659,667	103.86%
COMMUNITY DEVELOPMENT	(2,476,418)	(2,269,506)	(2,455,442)	(2,215,789)	239,653	110.82%
ECONOMIC DEV. & TOURISM	(503,997)	(355,000)	(483,260)	(504,000)	(20,740)	95.88%
AIRPORT	(1,971,883)	(2,102,871)	(1,698,582)	(2,113,387)	(414,805)	80.37%
<b>REVENUE TOTAL</b>	<b>(75,475,532)</b>	<b>(73,713,329)</b>	<b>(77,205,075)</b>	<b>(77,563,945)</b>	<b>(358,870)</b>	<b>99.54%</b>
<b>EXPENSE</b>						
FISCAL SERVICES	15,546,601	21,031,669	21,009,374	23,120,852	2,111,478	90.87%
GOVERNANCE	976,908	1,310,555	968,895	1,266,143	297,248	76.52%
CORPORATE SERVICES	4,740,667	4,844,264	4,575,222	4,869,166	293,944	93.96%
RCMP	8,938,715	9,758,167	9,437,665	9,875,966	438,301	95.56%
FIRE	6,238,154	6,099,914	6,469,638	6,234,082	(235,556)	103.78%
ASSETS & OPERATIONS	10,315,335	10,590,163	11,470,863	11,115,932	(354,931)	103.19%
UTILITIES	8,953,727	9,617,983	9,136,476	10,390,906	1,254,430	87.93%
COMMUNITY DEVELOPMENT	6,282,632	7,234,633	6,864,331	7,373,046	508,715	93.10%
ECONOMIC DEV. & TOURISM	1,052,985	999,758	1,360,721	1,164,938	(195,783)	116.81%
AIRPORT	1,993,405	2,226,223	2,034,602	2,152,914	118,312	94.50%
<b>EXPENSE TOTAL</b>	<b>65,039,128</b>	<b>73,713,329</b>	<b>73,327,788</b>	<b>77,563,945</b>	<b>4,236,157</b>	<b>94.54%</b>
<b>GRAND TOTAL</b>	<b>(10,436,404)</b>	<b>-</b>	<b>(3,877,287)</b>	<b>-</b>	<b>3,877,287</b>	<b>0.00%</b>

Each area of the City's operations has been analyzed below. Individual graphs show revenues and expenses as a percentage of budget for the year of 2019 and 2018 for comparative purposes.

**1 – GOVERNANCE** – Expenses incurred for the year were lowered than budget due to less spending on contracted services for operating projects and under spending on Council Contingency.



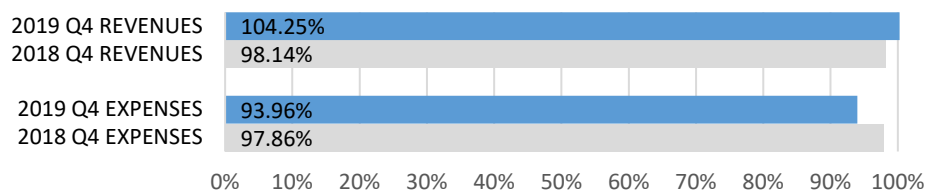
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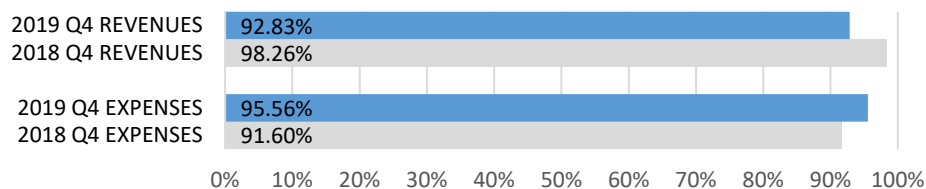
**2 – CORPORATE SERVICES** – Revenues are higher than budget and 2018 comparatives because of the addition of the Information Technology Service Agreement with the RCMP and increased property revenue received.

Overall expenses were lower than 2018 by approximately \$165,000. The main drivers leading to the reduction of costs in the current year are attributable to vacancies as well as the recognition of costs associated with a contaminated site in the prior year. Expenses in 2019 were lower than the budget as actual results associated with legal fees, staffing and software and licences were lower than expected.



**3 – RCMP** – Overall revenue was lower than 2018 in the current year by approximately \$45,000, which was mainly due to a reduction in prisoner detention fees.

Actual expenses for the year increased by approximately \$498,000 over 2018, as a result of the increase to the RCMP contract. Expenses for the year were lower than budget as actual costs associated with the RCMP contract and prisoner detention services were lower than budgeted.



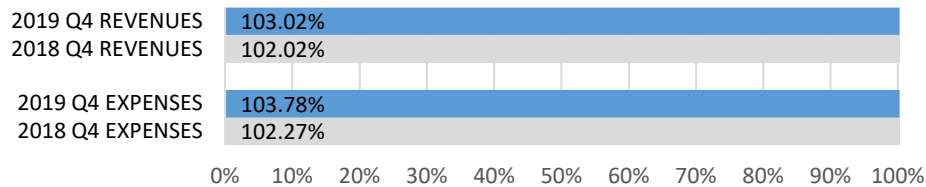
**4 – FIRE** – Revenue increased in 2019 by approximately \$85,000. The increase in revenue for the year and the cause of the variance from budget is attributable to the recovery of costs associated with services provided outside City boundaries and for training and development.

Costs in the current year have increased by approximately \$231,000. Expenses were higher than the prior year and budget due increased costs to cover sick leaves and the additional overtime paid to handle higher call volume during the year.

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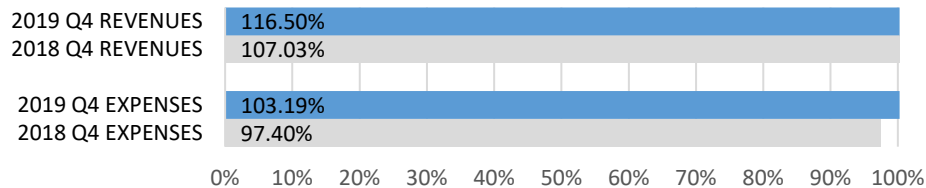
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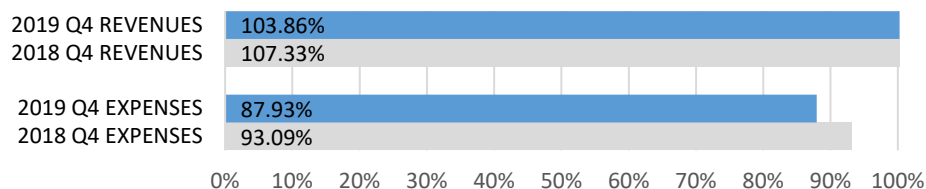
**5 - ASSETS & OPERATIONS** – Revenues have increased by approximately \$140,000 over 2018 and were higher than budgeted. This is mainly attributable to increased transit revenue and roads maintenance grants in 2019.

Expenses for the year are higher than 2018 and over budget mainly because of increased spending in fleet and facility contracted services.



**6 – UTILITIES** – Revenue was comparable to 2018 and higher than budgeted. Increases to utility user fees were offset by a billing correction to two major customers in 2019.

Expenses for 2019 were \$1.25M less than the financial plan, which is largely attributable to staff vacancies, a reduction in contracted services, and lower than expected office leasing costs.



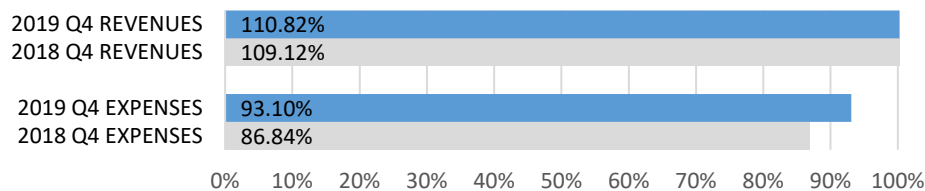
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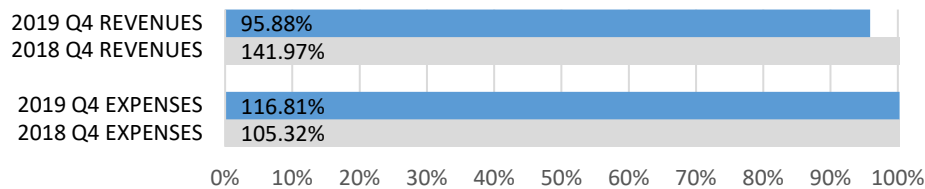
**7 - COMMUNITY DEVELOPMENT** – Revenue was consistent with 2018. Actual results for 2019 exceeded the financial plan by approximately \$239,000 with the largest variances being caused by increased revenue associated with building and application fees, building permits and increased recreation fees.

Expenses for the year were lower than budgeted. Costs were trending higher than 2018 by approximately \$581,000, due to the addition of a third bylaw officer, a third building inspector and the 2018 City reorganization.



**8 – ECONOMIC DEV. & TOURISM** – Revenues for the year have decreased by approximately \$45,000 which is due to a timing difference of when MRDT revenue is received. It is anticipated once received that the revenues for the year will be higher than budgeted and 2018 figures.

Actual expenses increased by approximately \$305,000 from the prior year. The majority of the increase in the year was attributable to a timing difference as the last quarter invoice for 2018 from Destination Think! was recorded in 2019 (\$201,000). With the removal of the 2018 last quarter invoice from 2019, the actual results would be consistent with the financial plan.



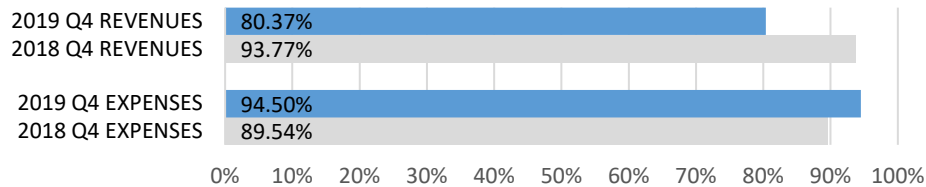
**9 – AIRPORT** – Revenues in the current period were approximately \$270,000 less than 2018. The main factor behind the reduction in revenue for the year and the variance from the financial plan is attributable to weaker fuel sales and a reduction in airport service fees.

Overall expenses are consistent with the prior year. The expected reduction in costs due to reduced fuel sales has been offset by increases in contracted services, supplies and wages. The net profit margin for fuel sales was 36%, which is consistent with past results.

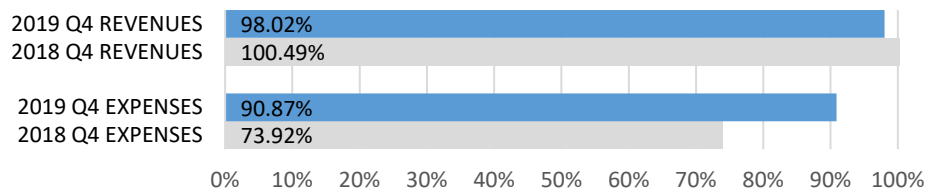
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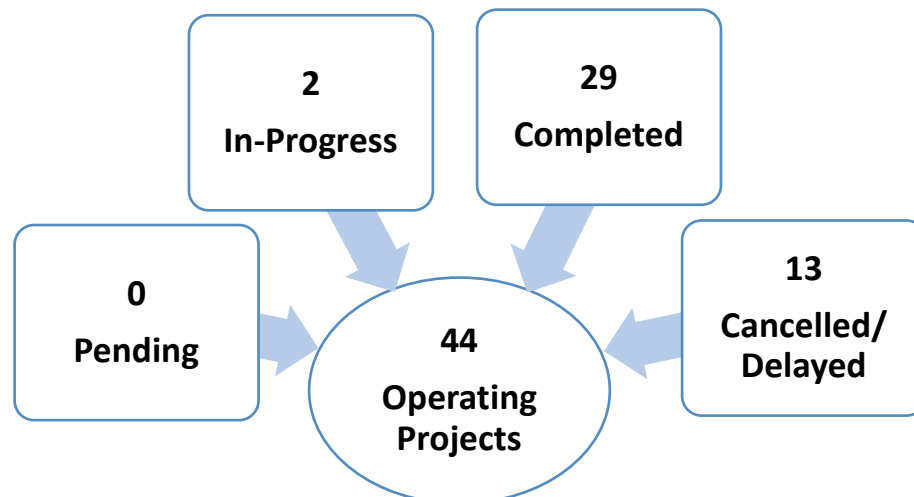


**0 - FISCAL SERVICES** – Revenue and expense actuals to budget are lower than anticipated due to outstanding reserve transfers that will be made as part of year end reconciliations. Actual expenses for 2019 were lower than budgeted by approximately \$450,000 as a result of interest and debt payments being lower than forecasted.



### Operating Projects

There were 44 operating projects with a total budget of \$2.33M in 2019 as approved during Financial Planning. The total spend to the end of the year on operating projects was \$1.17 million (2018 - \$1.3M) or 50.5% (2018 – 44%) of budget. Of the 44 planned projects, 2 are currently in progress as they are multi-year projects, 29 have been completed and 13 have been delayed or cancelled until next year. Appendix 3 provides the detail on the status for each operating project; green highlighted projects are on track with expected project delivery timelines including multi-year projects, yellow projects could be delayed, and red projects have been delayed or cancelled.



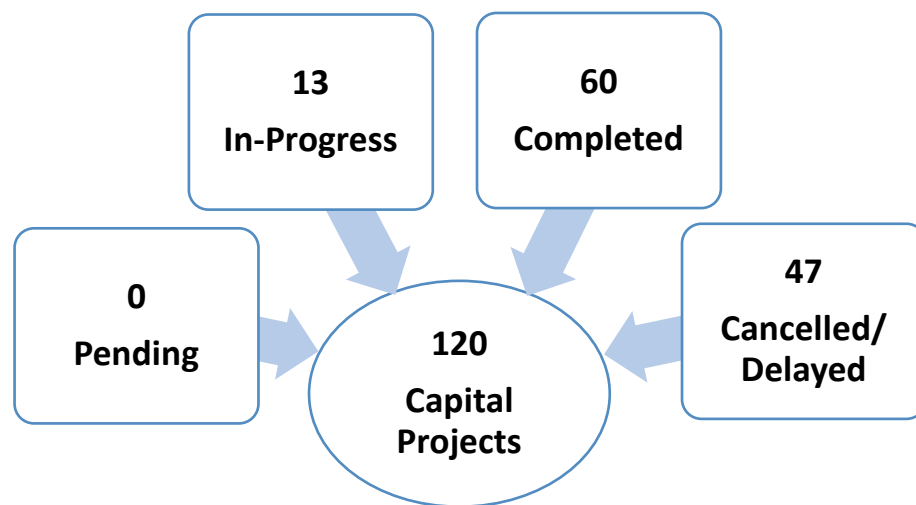
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### Capital Projects

There were 120 capital projects with a total budget of \$32.5 in 2019. The most significant capital works being undertaken in 2019 were the waterfront projects for the Highway 19A upgrades and renewal of the waterfront sewer forcemain. The total spend to the end of the year on capital projects was \$16.42M or 50.6% (2018 – 47%) of budget. Overall, 13 are currently still underway as they were identified as multi year projects, 60 have been completed and 47 have been delayed or cancelled until next year. Appendix 3 provides the detail on the status for each capital project; green highlighted projects are on track with expected project delivery timelines including multi-year projects, yellow projects could be delayed, and red projects have been delayed or cancelled.



### Communications

The Q4 quarterly financial report will be posted on the City's website with other financial reports to ensure the public has an opportunity to review the City's financial progress periodically throughout the year.

### Conclusion

Financial results for the City's departmental operating budget for the year ended December 31, 2019 are consistent with the financial plan for the year. Actual revenues for the year were 99.54% of budget while expenditures were 94.54%

The City's operating and capital project's budget funded 164 projects in 2019. Of the projects funded for 2019 89 were completed in the year while another 15 are still ongoing as multi year projects. The remaining 60 projects have either been delayed to 2020 or have been cancelled as the project is no longer warranted or supported by Council.



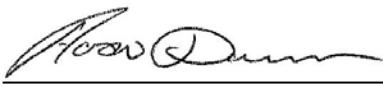

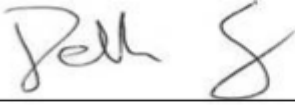
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**Attachments:**

1. Appendix 1 – Operating Departmental Budget Segments
2. Appendix 2 – Operating Projects (Q4, 2019)
3. Appendix 3 – Capital Projects (Q4, 2019)

<b>Prepared by:</b>		<b>Reviewed by:</b>	
 _____ Aaron Daur, CPA Controller		 _____ Alaina Maher, BCom, CPA, CMA Finance Manager	
<b>Reviewed for Form and Content / Approved for Submission to Council:</b>			
 _____ Deborah Sargent, MCIP, RPP City Manager			
<b>Corporate Review</b>			<b>Initials</b>
Finance			RB