



To: Chief Administrative Officer **Date:** June 19, 2023
From: Kerri Onken, Deputy Treasurer/Collector
Subject: **Financial Reporting – April 30, 2023**

Recommendation(s)

No staff recommendation accompanies this report and Council action is not required.

Purpose

This report provides an overview of the projected 2023 year-end results and explanations for those results that have an anticipated budget variance of +/- \$10,000 or +/- 10%.

Background

As part of the City's financial reporting process, budget status reports are prepared periodically during the year to provide Council with timely information regarding the City's overall financial performance.

The City continues to seek opportunities to reduce expenses and minimize the financial impact of unexpected inflationary challenges, and wherever possible, the City has attempted to continue providing the same service levels as identified in the budget.

Discussion and Analysis

This financial review projects the 2023 year-end revenue and expense amounts through an analysis of the actual amounts posted up to April 30th and the anticipated amounts for the remainder of the year. Attached to this report are:

- Attachment A - summarizes total revenue and expenditure year-end projections on a departmental basis for the general operating fund and provides budget variance explanations where the variance is projected to be +/- \$10,000 or 10%;
- Attachment B - summarizes total revenue and expenditure year-end projections for the utility operating funds, forestry and fleet operations, along with budget variance explanations where the variance is projected to be +/- \$10,000 or 10%;
- Attachment C – provides a historical look at the departmental activity levels and statistical information for the past 4 years plus the period ending April 30, 2023; and
- Attachment D - summarizes the transactions funded from the general operating fund contingency account.

New this year is the addition of the Forestry Operations financial and activity statistics.

General Operating Fund Projected Year-end Results

Current projections indicate that by year-end, the general operating fund will generate a surplus of approximately \$93,800. The following table summarizes the projected year-end budget results on a departmental basis for the general operating fund, from Attachment A.

General Operating Fund Net Budget Variance Summary

April 30, 2023, Budget Review

DEPARTMENT	FINAL/ AMENDED 2023	PROJECTED 2023 YEAR END	PROJECTED VARIANCE		
	BUDGET	BALANCE	\$	%	
Tax Levy	(45,263,159)	(45,528,528)	(265,369)	1%	
General Government	(8,984)	(121,991)	(113,008)	1258%	
Police Services	14,428,995	14,325,285	(103,710)	-1%	
Engineering	1,787,599	1,719,998	(67,601)	-4%	
Public Transit	2,441,314	2,381,200	(60,114)	-2%	
Fire & Emergency Operations	6,436,194	6,384,137	(52,057)	-1%	
Development Services - Inspections	(43,292)	(91,043)	(47,751)	110%	
Economic Development	725,726	723,726	(2,000)	0%	
Council	824,067	822,459	(1,608)	0%	
Cemetery	25,310	25,310	0	0%	
Parks & Grounds	1,331,094	1,331,094	0	0%	
Development Services - Planning	1,445,806	1,450,000	4,194	0%	
Payroll Overhead Recovery	0	6,728	6,728	>100%	
Municipal Facilities	1,254,182	1,267,327	13,145	1%	
Recreation Administration	1,103,229	1,153,228	49,999	5%	
Finance and Purchasing	2,434,347	2,489,863	55,516	2%	
Corporate Administration	4,314,660	4,372,429	57,769	1%	
Recreation Services	3,219,809	3,280,083	60,274	2%	
Public Works	3,543,103	3,914,856	371,753	10%	
Projected Budget Surplus	0	(93,839)			

Under Budget

Over Budget

Negative variances = Under budget

Positive variances = Over budget

The chart above summarizes the net revenue and expense variances by department. However, at the project detail level, there are some project budget variances over \$100,000.

- Public Transit Department** – BC Transit workers are currently on-strike with only the Handy-Dart service operating. Current projections have revenue from ridership down by \$320,000 or 48% for the year and transit operating costs down approximately \$409,000. Pending the outcome of contract negotiations, both revenue and expenditures predictions could change.
- Recreation Programs** – The demand for the Club KIDS program and licensed summer camps has been higher than anticipated and expected to generate additional revenue of \$330,000. This revenue is partially offset with increase program costs of \$293,000.
- Public Works Department** - Snow and ice removal costs are currently at 90% of the 2023 budget. This budget has been hit hard over the past few years due to back-to-back cold and snowy winters with twice as much snowfall than the average winter season. The 2023 year-end projections are estimated to be \$325,000 over budget.
- General Government** – The current forecast for the City’s investment portfolio is projecting a higher interest rate than originally anticipated for the remainder of the year. The anticipated additional interest revenue of \$500,000 is transferred to the many capital and operating reserves, which increases the various transfer to reserve expenses, and

the additional interest earned on the City's Preauthorized Payment Program, as the money collected is included in the City's investment portfolio.

In General Government, Gaming revenue, which is transferred to the Gaming Reserve for capital projects, is stronger than expected in quarter 1. If this trend continues, it could result in \$150,000 of additional revenue in 2023, increasing the transfer to the Gaming Reserve by \$150,000.

- Property Taxation Department** – General operating property tax revenue is projected to be over budget by \$400,000, which is the result of additional revenue from non-market assessment (new lots and buildings) less an estimate for assessment reductions on properties currently under appeal at the Property Assessment Appeal Board.

In Property Taxes, the interest paid on the pre-authorized payment program is expected to be overbudget by \$139,000 as the interest rates the City pays is based on rates set by the Provincial Government. However, this is entirely offset by the increase in investment revenue as the money collected is included in the City's investment portfolio.

It should be noted that many budget surpluses identified for 2023 are one-time in nature only. The budget estimates for 2024 will reflect any permanent revenue and expenditure decreases or increases identified during this variance review.

Utility Operating Fund Projected Year-end Results

The following table summarizes the projected year-end deficits and surpluses for the utility funds, forestry, and fleet operations as detailed in Attachment B. The projected surplus or deficit is the result after transferring the budgeted value to their respective capital funds. New to this table is the projected results from the Forestry Operations.

Utility Funds, Fleet and Forestry Projected Surplus/(Deficit) April 30, 2023, Budget Review

OPERATIONAL UNIT	PROJECTED SURPLUS / (DEFICIT)	BUDGETED TRANSFER TO CAPITAL
Forestry Operations	4,262,000	347,748
Fleet Operations	374,784	1,297,912
Sewer Utility Operating Fund	52,296	1,564,971
Water Utility Operating Fund	20,226	2,611,527
Drainage Utility Operating Fund	6,481	1,317,394
Solid Waste Utility Operating Fund	(125,893)	713,523

Positive Projection = Operational Surplus

Negative Projection = Operational Deficit

The projected surpluses in the Sewer, Water, and Drainage Utility operations will increase that fund's Accumulated Operating Surplus Reserve. Deficits or surpluses in the Fleet Operations and Solid Waste operations directly impact the transfer to the respective capital reserve. In other words, Fleet could increase the transfer to capital by an additional \$374,784, while Solid Waste would need to reduce the transfer to capital by an estimated \$125,893. The projected surplus in the Forestry Operations will increase the Forestry Legacy Fund as the Forestry Accumulated Surplus is at the optimal level.

At the project detail level in these operational units, there are some project budget variances over \$100,000.

- Forestry Operations - Timber harvest volumes are projected to be higher this year due to dry weather and not completing the volume in 2022. Revenue is expected to be over budget by \$5.79 million, an increase of 111%. As a result of increased harvest volumes, stumpage fees are projected to be \$1.5 million higher than budget.
- Solid Waste Utility – The cost allocation for the Abbotsford Mission Recycling Depot is projected to increase Mission’s share by \$211,000 under the new interpretation of the 2011 agreement.
- Fleet Operations – lower maintenance required for the City’s fleet and equipment plus reduced accidents repairs in the first four months may result in savings of \$256,000 in general repair and maintenance costs for the year.
- Water Utility and Sewer Utility - The current forecast for the City’s investment portfolio is projecting a higher interest revenue than anticipated for both Water and Sewer operations. The interest revenue generated is transferred to the utility’s respective capital reserve and is currently projecting budget increases of \$415,000 for the Sewer Utility and \$530,000 for Water Utility.

Departmental Activities and Statistical Information

Attachment C shows the departmental activity levels and statistical information for the prior four years and the year to date (April 30) levels for 2023.

Council Goals/Objectives

The Financial Reporting – April 30, 2023 report addresses Council’s goals by providing timely financial information on the four Strategic Focus Areas.

Financial Implications

General Operating Fund: The General Operating Fund is projecting a surplus. Should a surplus, as projected, be realized by year-end, the excess funds will be transferred to the General Operating Unappropriated Accumulated Surplus Reserve. Council may choose to utilize these surplus funds in future years.

Utility Operating Funds: The water, sewer, drainage, forestry and fleet operations are projecting surpluses while solid waste operation is projecting a deficit.

The projected surpluses in the Drainage, Water and Sewer Utility operations will increase that fund’s Accumulated Operating Surplus Reserve Fund. Deficits or surpluses in the Fleet Operations and Solid Waste operations directly impact the transfer to their respective capital funds. The projected surplus in the Forestry Operations will increase the Forestry Legacy Fund as the Forestry Accumulated Surplus is at the optimal level.

Communication

No communication action is required.

Summary and Conclusion

As part of the City’s financial reporting process, budget status reports are prepared periodically during the year to provide Council with information regarding the City’s financial performance.

This financial review projects the 2023 year-end revenue and expense amounts through an analysis of the actual amounts posted up to April 30th and the anticipated amounts for the remainder of the year.

Current projections indicate that by year-end, the general operating fund will generate a surplus of approximately \$93,800. The attachments to this report summarize the variances at the department and fund levels. At the detail level there are some budget impacts with variances over \$100,000 which are highlighted in the report.

The water, sewer, drainage, forestry, and fleet operations are projecting surpluses while solid waste operation is projecting a deficit. Surpluses in the Drainage, Water and Sewer Utility operations will increase that fund's Accumulated Operating Surplus Reserve Fund. Deficits or surpluses in the Fleet Operations and Solid Waste operations directly impact the transfer to the respected capital funds. The projected surplus in the Forestry Operations will increase the Forestry Legacy Fund

It should be noted that many budget surpluses identified for 2023 are one-time in nature only. The budget estimates for 2024 reflect any permanent revenue or expenditure changes identified during this variance review.

Report Prepared by: Kerri Onken, Deputy/Treasurer Collector

Reviewed by: Doug Stewart, Director of Finance

Approved for Inclusion: Mike Younie, Chief Administrative Officer

Attachment(s)

Attachment A: General Operating Fund Summary

Attachment B: Utility Operating Funds and Equipment Pool Operations Summary

Attachment C: Departmental Activities & Statistical Information

Attachment D: General Operating Fund Contingency