

TO: FINANCIAL MANAGEMENT COMMITTEE (FMC)
FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER
SUBJECT: **FINANCIAL REPORT AS AT 2024 PERIOD 05**
PURPOSE: To provide an overview of the City's financial activity as of the end of Period 5 and to compare that activity with the 2024 - 2028 Financial Plan adopted by Council on February 12, 2024.

RECOMMENDATION

THAT the report titled "Financial Report As at 2024 Period 05" dated July 16, 2024, be received for information.

EXECUTIVE SUMMARY

This report provides an overview of the City's financial activity as at the end of Period 05 comparing actual financial results to the approved 2024-2028 Financial Plan. This report is to be received for information.

1.0 POLICY SECTION

This financial update is being provided to align with the Office of the Auditor General of British Columbia's best practices for Public Sector Governance in the area of Planning and Performance Monitoring.

2.0 BACKGROUND

The City of Burnaby uses four-week accounting periods to capture budget and posted accounting data. Therefore, this report is based on revenue and expenditure figures for closed 2024 Periods 01 to 05 (January 1, 2024, to May 19, 2024).

All known expenditures as of Period 05 have been accrued; therefore, the expenditures reported reflect costs incurred to date for goods and services that have been delivered but not billed.

3.0 GENERAL INFORMATION

As of Period 05, the City is currently in a net surplus position which is primarily due to higher than anticipated revenues. In particular, the Parks, Recreation and Culture (PRC) department has continued to experience an increase in service demands from several of its' key programs and services. Specifically, revenues from golf and food services are higher than budgeted due to high demand for tee times, weddings, and other events. Additionally, Recreation Services revenues have seen an increase in recreational

memberships with the revised service model of the B-Active membership pass. However, expenditures have also increased to maintain service levels.

The City has experienced a decrease in development driven revenues as the activity in development market has slowed down due to current market conditions. This has contributed to a reduced level of building permit and fee revenues and other associated revenues compared to prior years. In addition, recent housing legislation implemented by the Provincial government, with the majority coming into effect on July 1, 2024, have created further uncertainty around the City's development revenues. As a result, the long-term financial impacts are under review.

Although revenues are still higher than expected, the City continues to navigate through various economic pressures, which have resulted in significant cost increases, ongoing supply chain issues in certain sectors (e.g. vehicles), and a challenging labour market. These economic factors have improved from prior years; however, they still present challenges that continue to impact City operations and the delivery of public services.

Staff will continue to monitor impacts to the development community arising from the recent legislation changes as well as the ongoing economic pressures on City operations. As the year progresses, staff will continue to adjust operations accordingly to ensure service levels to the public are maintained while staying within the parameters of the City's financial plan.

The year-end forecasts provided in this report are based on current information and are subject to change due to the uncertainty and factors caused by the issues noted above.

3.1. OPERATING BUDGETS

3.1.1. General Revenue Fund – Operational Highlights

The following is a list of some department initiatives up to the end of 2024 Period 05:

- In response to new provincial housing legislation introducing changes related to development financing tools, the City has updated its Development Cost Charges (DCC) and Amenity Cost Charges (ACC) Program. A new DCC & ACC Bylaw has been introduced and adopted in June 2024 to realign with these changes effective July 1, 2024.

The City will continue to monitor funding associated with these development projects in accordance with the Province on an ongoing basis.

(Responsible Departments: Finance, Corporate Services, Engineering, PRC, Lands & Facilities and Planning & Development)

- In April 2024, two new outdoor covered sports boxes at Confederation Park and Riverway Park were opened to the public. These new covered sport boxes will allow the courts to be available for citizens to use year-round as both features many upgrades, including a covered roof for weather protection, spectator seating, and lighting, making it suitable for various sports activities. The new

boxes are named after Sohen Gill and Jack Crosby, two prominent Burnaby lacrosse players and inductees of the BC Sports Hall of Fame.

(Responsible Departments: PRC and Lands & Facilities)

- On April 29, 2024, the Cameron Library was temporarily relocated to the City of Lougheed Shopping Centre, marking an important step in Burnaby's project to build a new Cameron Community Centre and Library. This project aims to better serve the City's growing community and replace the aging complex. The temporary location has been a huge success, attracting nearly double the number of patrons per day, thanks to the increased square footage and convenient location.

(Responsible Departments: Burnaby Public Library)

- The Rosemary Brown Recreation Centre (RBRC) officially opened on May 11, 2024. Approximately 1,000 people attended the event, including Cleeta Brown, Rosemary Brown's daughter, and Mayor Mike Hurley, marking the introduction of this exciting new addition to the community.

As one of its first major events, RBRC proudly served as Burnaby's headquarters for the Canucks playoffs this year, hosting a total of nine viewing parties. Over 100 fans gathered on each game day to cheer on the Canucks.

(Responsible Departments: PRC and Corporate Services – Marketing & Corporate Communications)

- In May 2024, in collaboration with other City departments, the Engineering Public Works division celebrated the grand opening of the Laurel Street Works Yard and National Public Works Week with an open house. This outdoor, festival-style event was free and attracted over 1,500 residents. It provided an opportunity for them to meet City staff, learn about the work they perform and the programs they offer, and see the unique features of the new facility.

(Responsible Departments: Engineering, Community Safety – Burnaby Fire, Corporate Services – Marketing & Corporate Communications, Information Technology and Finance)

3.1.2. General Revenue Fund – Operating Financial Results

In Tables 1 to 3 below, the Period 05 Variance is the difference between Period 05 Actual and Period 05 Budget. A positive number is a favourable variance which could result from either lower expenditures or higher revenue compared to budget. A negative number is an unfavourable variance which could result from either higher costs or lower revenue compared to budget. Variances identify any pressures or opportunities on the operating budget. Departments continue to proactively monitor their actual results compared to the approved budget on a monthly basis.

Table 1 – General Revenue Fund - Revenue and Expenditures to Period 05

	Period 05 Actual	Period 05 Budget	Period 05 Variance Favourable/ (Unfavourable)	Variance %	2024 Annual Budget	2024 Year End Forecasted Variance Favourable/ (Unfavourable)
Revenue	414,568,987	403,609,074	10,959,913	2.7%	556,238,100	4,205,400

Expenditures	240,809,165	236,015,337	(4,793,828)	(2.0%)	556,238,100	(\$4,098,500)
Net Result	\$173,759,822	\$167,593,737	\$6,166,085	2.6%*	-	\$106,900

* Represents Period 05 net variance as a percentage to Period 05 expenditures budget

Overall, the City is in a net favourable position of \$6.2M (2.6%) at the end of Period 05, consisting of a favourable variance of \$11.0M in revenue and an unfavourable variance of \$4.8M in expenditures.

Revenue is \$11.0M higher than anticipated and accounts for the majority of the City's overall net favourable position at the end of Period 05. This is primarily due to favourable budget variances in taxation revenue resulting from higher new growth taxation, recreational membership revenue, planning revenues, additional grant received related climate action initiatives and other operating revenues. In addition, the favourable weather conditions have helped produce higher than anticipated golf revenues and the strong demand for weddings and events has significantly contributed to the strong food/catering related revenues.

Expenditures were higher than budget by \$4.8M by the end of Period 05. This is primarily due to additional compensation related expenditures to ensure appropriate coverage/staffing levels to support various recreation facilities, increase in materials and supplies related an increase in demand for food services, and other increases due to parks operational requirements. Furthermore, the City experienced higher than expected employee benefit-related premiums and expenses. This is partially offset by the Federal RCMP contract savings, lower than anticipated consulting & contracted services expenditures, and other various operating expenditures savings.

The City's overall net operating results at year end is forecasted to be aligned to budget with a minor surplus of \$0.1M. It is anticipated that revenues will be favourable by \$4.2M mainly due to the same drivers experienced to date partially offset by lower transfers from operating reserves related to lower activity of expenditures funded by operating reserves. Expenditures will be unfavourable by \$4.1M mainly due to the same drivers experienced to date.

Please refer to Attachment 1 for the summary of Period 05 General Revenue Operating Results by Department.

The major revenue and expenditure variances as of Period 05 and year end forecasts by department in General Revenue Operations are as follows:

Revenues at Period 05 are favourable by \$11.0M or 2.7%; revenues forecasted to year end are favourable by \$4.2M or 0.8%.

Business Licence & Bylaw Services: As of Period 05, revenues are in line with budget, but it is estimated that revenue will become \$0.5M unfavourable primarily due to lower business licence resulting from a higher number of discounts offered to

businesses who have shared office spaces and lower than anticipated traffic fine revenue activity.

Engineering: An unfavourable variance of \$0.3M at Period 05 is primarily due to a decrease in revenues from 3rd party connection activities and lower parking revenues partially offset by refuse fees. By year end, it is expected that revenues will be unfavourable by \$0.7M primarily due to the same drivers noted above.

Planning & Development: A favourable variance of \$1.3M at Period 05 is primarily due to higher than budgeted grants received from UBCM related to homelessness/housing initiatives which are offset by higher than budgeted corresponding expenditures. It is estimated that by year end the favourable variance will increase to \$1.8M primarily due to higher than anticipated levels in planning permits & fee related revenues.

Lands & Facilities: As of Period 05, revenues are in line with budget, but it is estimated that revenue will become \$0.7M unfavourable at year end primarily due to lower anticipated activity of expenditures funded by operating reserves resulted in lower transfers from operating reserves than budgeted.

Parks, Recreation and Culture: As of Period 05, revenues are favourable by \$4.8M primarily due to higher than expected recreational membership revenue, golf revenues and also higher than expected food services revenues resulting from an increase in demand for catering services for weddings and other events. In addition, recreation facility rentals are favourable due to the increase in demand. It is forecasted that revenues will remain favourable by \$4.5M at year end, primarily due to the same drivers noted above.

Fiscal: A favourable variance of \$1.7M at Period 05 is primarily due to higher grants received related to Climate Action initiatives and higher investment income. It is anticipated that this favourable variance will drop to \$3.2M unfavourable due to lower activity of expenditures for non-market housing grants that are funded by operating reserves which will result in lower transfers from operating reserves by year end.

Expenditures at Period 05 are unfavourable by \$4.8M or 2.0%; expenditures forecasted to year end are unfavourable by \$4.1M or 0.7%.

Office of the CAO: As of Period 05, expenditures are favourable by \$0.5M due to compensation savings from staff and other various operating expenditures. This variance is expected to remain by year end.

Information Technology: As of Period 05, expenditures are in line with budget, but it is estimated that expenditures will become \$0.7M unfavourable at year end due to higher than anticipated compensation expenditures to ensure appropriate coverage/staffing levels to support software upgrades and network security. In

addition, there are higher than anticipated software subscription expenditures due to additional system requirements.

RCMP Burnaby Detachment: A favourable variance of \$0.7M at Period 05 is primarily attributable to lower RCMP contract costs due to Regular Member vacancies and compensation savings from City staff vacancies. The forecasted year end variance will be favourable by \$2.1M due to the same factors noted above.

Engineering: A favourable variance of \$1.0M at Period 05 is due to lower consulting & contracted services expenditures, lower disposal & tipping fees due to increase of waste diversion efforts resulting in reduced volume of waste materials, lower vehicle related expenditures, and savings in other operating expenditures. By year end, expenditures are forecasted to remain at \$1.0M favourable primarily due to the compensation savings from staff vacancies, continued savings in disposal & tipping fees and savings in other operating expenditures.

Lands & Facilities: As of Period 05, expenditures are favourable at \$0.2M primarily due to compensation savings from staff vacancies and savings in other operating expenditures. It is estimated that expenditures will continue to be favourable and increase to \$0.6M for the same factors noted.

Parks, Recreation and Culture: An unfavourable variance of \$2.7M as of Period 05 is mainly due to higher than anticipated compensation expenditures to ensure appropriate coverage/staffing levels at the various recreation facilities. Furthermore, higher than budgeted materials and supplies related to food services due to an increase in demand, which is offset by higher than budgeted revenues. Lastly, higher than anticipated various operating expenditures tied to maintenance activities and contracted/hired equipment services expenditures primarily due to snow removal and parks operations contribute to the unfavourable variance. By year end, it is anticipated the variance will increase to \$7.7M due to the continued factors as mentioned above.

Fiscal: As of Period 05, expenditures are in an unfavourable variance of \$5.5M mainly due to higher than anticipated employee benefits related premiums and expenses. In addition, there were higher than expected transfers to operating reserves as the City received more climate action related grants. By year end, expenditures are expected to align to budget primarily due to lower than anticipated non-market housing grants issued.

3.1.3. Sanitary Sewer Fund – Operating Financial Results

Table 2 summarizes Period 05 Sanitary Sewer Fund operating results.

Table 2 – Sanitary Sewer Fund - Revenue and Expenditures to Period 05

				2024 Annual Budget	2024 Year End Forecasted Variance Favourable/ (Unfavourable)
Period 05 Actual	Period 05 Budget	Period 05 Variance Favourable/ (Unfavourable)	Variance %		

Revenue	50,897,141	50,582,377	314,764	0.6%	55,784,200	450,000
Expenditures	42,443,115	42,957,080	513,964	1.2%	55,784,200	441,000
Net Result	\$8,454,026	\$7,625,298	\$828,728	1.9%*	-	\$891,000

* Represents Period 05 net variance as a percentage to Period 05 expenditures budget

Sanitary Sewer Fund has a net favourable variance of \$0.8M at Period 05 and is mainly due to favourable variances of \$0.3M in revenue and \$0.5M in expenditures.

The favourable Period 05 revenue variance of \$0.3M (0.6%) mainly due to higher than anticipated sewer use revenues from additional growth in new strata apartment/townhome units and metered sewer due to increase in commercial consumption, this is partially offset by other revenue decreases from 3rd party sanitary sewer connection activities.

The favourable Period 05 expenditure variance of \$0.5M is primarily due to compensation savings from staff vacancies and savings in contracted/hired equipment services.

By year end, it is anticipated that Sanitary Sewer Funds' net favourable variance is expected to remain by year end, primarily due to continued factors as mentioned above.

3.1.4. Waterworks Utility Fund – Operating Financial Results

Table 3 summarizes Period 05 Waterworks Utility Fund operating results.

Table 3 – Waterworks Utility - Revenue and Expenditure to Period 05

	Period 05 Actual	Period 05 Budget	Period 05 Variance Favourable/ (Unfavourable)	Variance %	2024 Annual Budget	2024 Year End Forecasted Variance Favourable/ (Unfavourable)
Revenue	55,267,211	54,653,306	613,905	1.1%	64,890,600	476,000
Expenditures	17,241,996	17,266,403	24,407	0.1%	64,890,600	325,000
Net Result	\$38,025,215	\$37,386,902	\$638,312	3.7%*	-	\$801,000

* Represents Period 05 net variance as a percentage to Period 05 expenditures budget

Waterworks Utility has a net favourable variance of \$0.6M at Period 05 primarily due to higher than anticipated revenues as expenditures are in line with budget.

As of Period 05, revenues are mostly aligned to budget with a favourable variance of \$0.6M (1.1%) which is primarily due to higher than anticipated flat water revenue from additional growth and higher than anticipated revenues from 3rd party water connection activities.

By year end, it is forecasted that the Waterworks Utility's net favourable variance will increase to \$0.8M. This is due to a favourable revenue variance of \$0.5M primarily due to the same factors as noted above. In addition, a favourable expenditure variance of \$0.3M due to compensation savings from staff vacancies, and lower consulting & contracted services expenditures related to water system evaluation activities. These savings are partially offset by higher than anticipated cost of water expenditures due to increase in consumption.

3.2. CAPITAL PLAN

3.2.1. Capital Plan - Executive Summary

The capital plan total for 2024 is \$372.5M. As of the end of Period 05, the 2024 year-to-date capital expenditures amount to \$74.4M. The majority of expenditures incurred are attributable to Realty & Lands and Civic Projects, which incurred \$20.7M (27.9%), and \$18.0M (24.1%) of all costs, respectively. Overall, total expenditures incurred equate to 20.0% of the planned capital expenditures which is comparable to 21.7% spent during the same period in 2023. The capital plan was increased significantly for 2024 to accommodate several ongoing major civic projects such as Fire Stations #4 & #8, RCMP Facility Replacement, Burnaby Lake Recreation Complex and Cameron Community Centre & Library construction.

Based on activities completed to date and current information available, the City has forecasted that \$291.9M will be spent in 2024, representing 78.4% of the plan as opposed to 86.7% of plan spent in 2023. The forecast is lower primarily due to some delays from Civic Projects such as the Burnaby Lake Recreation Complex and Cameron Community Centre & Library which is pending a contract award for construction. Furthermore, Realty & Lands have made significant land acquisitions to date and is expecting additional acquisitions later this year. Capital plan reallocations will be made from other projects to accommodate these extra expenditures by year end.

The year-end forecasts are further influenced by various market conditions and economic impacts. CPI is a key variable while procuring the necessary resources to complete the City's projects. Although there have been signs of improvement, CPI remains relatively higher compared to historical rates. As per Stats Canada, the national inflation rate as of May 2024, remains steady at 2.9% from 3.4% in December 2023. The supply chain in Canada has experienced several notable improvements; however, there are still ongoing challenges. Geopolitical tensions, extreme weather events and labour shortages have all impacted the supply chain causing persistent delays and price increases. The City continues to experience year over year increases in construction services & material costs. Vehicle purchases have shown some improvement and is expected to improve moving forward. Delivery lead times remain significantly longer and pricing is significantly higher while the market continues to recover. While some improvements have led to gradual stabilization from

2023 to 2024, market conditions will continue to be monitored and forecasts will be updated accordingly.

3.2.2. Capital Reports

To provide visibility and transparency into the progress of the City of Burnaby's approved 5 Year Capital Plan, the actual results of capital projects are provided in the 3 capital summary tables attached to this report: the 2024 Capital Plan Summary (Attachment 2), the 2024 Detailed Department Project Summary & Forecast (Attachment 3), and the Lifetime Status Update on Significant Projects (Attachment 4). In addition, for reference purposes, a Reader's Guide - Glossary has been included as Attachment 5 to provide readers with explanations of the terms utilized in the various reports.

3.3. CONTRACT AWARDS

Attachment 6 provides a listing of all contract awards between \$250,000 and \$1,000,000 signed by the Chief Administrative Officer to the end of 2024 Period 05.

4.0 COMMUNICATIONS AND COMMUNITY ENGAGEMENT

Not applicable.

5.0 FINANCIAL CONSIDERATIONS

As outlined in this report.

Respectfully submitted,

Noreen Kassam, Deputy Chief Administrative Officer and Chief Financial Officer

ATTACHMENTS

- Attachment 1 – General Revenue Fund Summary As of Period 05
Revenue and Expenditures by Department
- Attachment 2 – 2024 Capital Plan Summary As of Period 05
- Attachment 3 – 2024 Detailed Department Project Summary and Forecast
- Attachment 4 – Capital Plan – Lifetime Status Update on Significant Projects
- Attachment 5 – Capital Plan Reporting Readers Guide – Glossary
- Attachment 6 – Purchase Orders Between \$250,000 - \$1,000,000
(2024 Period 01 to 05)

REPORT CONTRIBUTORS

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