



FINANCIAL REPORT – JANUARY TO SEPTEMBER, 2023

RECOMMENDATION

That the Financial Report for the period January 1, 2023 to September 30, 2023 be received for information.

BACKGROUND

The Regional Board is provided with quarterly financial progress statements in order to review budget trends. Other than taxation revenue, which is accrued evenly through the year and shows at 75% of budget, revenues and expenses are incurred as projects are completed. Variances are explained below at an organizational level and specific service variations are explained in Attachment 1.

Operating Accounts

Total operating revenues are at 77% of the budget and operating revenues from sale of services are at 86%. Operating revenues from sale of services in Recreation & Parks are at 80%, which is above what would be expected at this point in the year and, when compared to 80% for the same period last year, represents a consistent level of public participation in recreational programs and facilities year over year. Transit Services operating revenues from sales of services are at 93% which exceeds the expectation for this point in the year. Transit Services other revenue is at 31% which is due to the timing of operating reserve funded transfers to the City of Nanaimo for the RDN's share of the Downtown Transit Exchange project. Building Inspection operating revenues are at 53% of the budget at the end of the third quarter, a decrease of 37% compared to this time last year. This is less than what would be expected at this point in the year and is representative of a slowing trend in construction across the region. This may be as a result of higher interest rates and unprecedented rates of inflation endured in recent months combined with ongoing supply chain challenges experienced within the construction industry as compared to the unusually high level of construction activity experienced last year which could be attributed to higher post-pandemic demand. Additionally, staffing shortages in the Building Department have affected the number of building permits issued in the first nine months of 2023. Operating grants revenue is 123% of the budget due to Growing Communities Fund grant funds received from the Province in March.

Total operating expenditures are at 72% benchmark. The majority of variances at the end of the third quarter are due to timing differences in recording revenues and expenses. Operating expenditure accounts are at 57% or more of budget other than professional fees (25%) (impacted by capital as noted below) and program costs (52%).

Program costs are impacted by timing differences in recording expenses for summer youth and specialty camps as well as costs related to the wastewater SepticSmart rebate program and expenditures for public education related to the garbage collection and recycling program. Also, program costs include costs to clean up unsightly premises and hazardous properties. Cost incurred for the cleanup of hazardous properties is significantly lower

than budgeted which contributes to the relatively low overall variance for program costs reported above. The Drinking Water/Watershed Protection rebate programs in Regional & Community Utilities (39%) and the Green Buildings rebate programs in Development & Emergency Services (75%) are currently underway with many of these rebates expected to be fully distributed through the fall and winter.

Expenditures for Debt Interest (58%) and Debt Principal (71%) are lower than budget because of the timing of due dates for debt payments made on behalf of municipalities and the Vancouver Island Regional Library.

Transfers to Reserve (135%) approved in the annual budget are completed and recorded in August every year when tax revenues are received from the Province and the municipalities. Growing Communities Fund grant funds received from the Province in March have been transferred to a reserve account until such time as they are disbursed and used to offset eligible project expenditures. The total Transfers to Reserve exceeds the budget due to this extraordinary transfer.

Total operating expenditures are \$121 million or 72% of budget, which reflect the items discussed above and those in Attachment 1.

Overall, total operating expenses (72%) are slightly lower than the 75% benchmark while revenues from sale of services (86%) are higher than anticipated for this point in the year. Services which are predominantly user-pay driven (i.e. recreation and transit) have experienced equal to or greater than expected levels of operating revenue while maintaining at or lower than expected operating costs during the third quarter of the year. Additionally, water supply services are reporting higher operating revenues than anticipated compared to budget due to impacts associated with the user fee rate schedule changes which was realized in the September water utility billing.

Capital Accounts

Major capital works underway or completed in 2023 include the Departure Bay Pumpstation upgrades, Chase River Pumpstation and Forcemain upgrades, Departure Bay Forcemain Twinning, Nanoose Forcemain Replacement, GNPCC Basement MCC Replacement and Grit and Sedimentation Tank Relining, North Slope Interceptor Beach Erosion, Biogas Blower Relocation and Flare Upgrade, Maffeo Sutton Bar Screen Improvements, French Creek Pollution Control Centre expansion, Bay Avenue Pumpstation Genset upgrades, and Influent Pipe Repair projects. Other projects include the Whiskey Creek Water Supply upgrade, Nanoose Bay Residential Water Meter Replacements, Solid Waste Flare Station Replacement, and the Dashwood Firehall Replacement. Additionally, the Quennell Lake Boat Launch, Huxley Park Tennis Building Replacement, Village Way Paving, Meadow Way CP Playground and Nature Walk, Anders Dorrit Park development, Jack Bagley Community Park development, Meadowood Community Recreation Centre construction, Errington Community Park improvements, River's Edge Trails, French Creek Estuary improvements, Wildwood Parking Lot and Bridge, and Lions Park improvements are some of the recreation and parks projects currently underway or completed in 2023. These projects are either active and in progress or have been completed, further information for which can be found in the concurrently submitted Third Quarter 2023 Strategic Plan and Key Initiatives Update report.

Overall, capital spending is at 22% of budget due to the timing of capital projects. The timing of capital projects also impacts professional fees (25%). Capital projects use a drawdown accounting approach where grant revenues and transfers from reserves and Development Cost Charge revenues are recorded when project expenses are incurred which in turn impacts transfers from reserves (26%), capital grant revenues (32%), and new borrowing (10%). The timing of capital expenditures can be impacted by the scheduling of contracted professionals as well as the availability of construction materials which are dependent on supply chains.

Overall Summary by Division (Attachment 2)

The Overall Summary by Division provides an overview of the year-to-date results at a divisional level.

Summary of Operating Results by Department (Attachment 3)

The Summary of Operating Results by Department lists the total year-to-date revenues and expenditures for services within each organizational division on September 30. The majority of the variances at the end of the third quarter are due to the timing of capital and operating projects and the related revenue accruals.

Contract Awards

During the third quarter, the following contracts (greater than \$100,000) were awarded by the Regional District of Nanaimo totaling \$3,362,846.

Date	Description	Awarded Vendor	Awarded Amount (excluding taxes)
July 2023	FCPCC IPD Contractor	Chandos Bird Joint Venture	\$894,811
July 2023	796 Nanaimo River Rd Property Cleanup	Canadian Hazmat Environmental Ltd	\$114,058
July 2023	Tractor Trailer Truck for the Church Road Transfer Station	Vancouver Island Mack	\$211,190
September 2023	Errington Community Park Washroom and Concession Building	CIP Modular	\$455,500
September 2023	Solid Waste Services Metal Recycling Revenue Contract	ABC Metal Recycling Ltd	\$856,112
September 2023	Nanoose Bay Pump Station #6 and Forcemain Replacement Project	IWC Excavations Ltd	\$831,175

Direct Contract Awards

During the third quarter, the following non-competitive direct contracts (greater than \$100,000) were awarded by the Regional District of Nanaimo totaling \$1,337,472.

Date	Description	Awarded Vendor	Awarded Amount (excluding taxes)
July 2023	FCPCC IPD Design Consulting Services	AECOM	\$822,385
July 2023	Annual Dispatch Operating Charges	City of Surrey	\$100,825
July 2023	Field Engineering Services for Nanoose Pump Station No. 6	Koers & Associates Engineering Ltd	\$100,205
August 2023	Self-Contained Breathing Apparatus Equipment for Nanoose VFD	Brogan Fire & Safety	\$143,811
August 2023	Ford Transit Cargo Vans x 2	Family Ford	\$170,246

Author: Laina Fearn, Senior Accountant

FINANCIAL IMPLICATIONS

The majority of variances at the end of the third quarter are due to timing differences in recording revenues and expenses. Total operating revenues are at 77% of the budget and operating revenues from sale of services are at 86%. Total operating expenditures are at 72% benchmark and capital spending is at 22% of the budget. Services that are heavily reliant on public participation such as recreation and transit have experienced equal to or higher than expected revenue streams at this point in the year representing a return to pre-pandemic levels of service in these areas.

STRATEGIC PLAN ALIGNMENT

Quarterly financial progress statements provide information to identify budget trends and to allow for improved financial planning. As a regional government, we are responsible for providing a variety of local and multi-jurisdictional services on behalf of our citizens, while ensuring our services offer good value and strike a balance between the needs of communities and our citizens' ability to pay. As we fulfill our roles and responsibilities as a regional government, we endeavour to:

- Be transparent in our decision-making;
- Ensure effective and efficient delivery of services and actions; and
- Be fiscally responsible and accountable

REVIEWED BY:

- M. Manhas, Manager, Capital Accounting and Financial Reporting
- T. Moore, Chief Financial Officer
- D. Holmes, Chief Administrative Officer

ATTACHMENTS

1. List of Variances for September 30, 2023 quarterly reporting
2. Overall Summary by Division September 30, 2023
3. Summary of Operating Results by Service September 30, 2023