

**REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MAY 2, 2018**

SUBJECT: 2018 First Quarter Capital Plan Report

ISSUE

2018 quarterly budget estimate to actual variances and variance explanations for the first quarter capital expenditures.

BACKGROUND

Annually the CRD develops an operating and capital financial plan for the next five years. The CRD Financial Plan consists of more than 200 service budgets funding delivery of regional, sub-regional and local services. The financial plan is the primary tool for fiscal planning, tracking, and controlling expenditures.

Currently, to track spending, monthly and yearly budget-to-actual reports are distributed automatically to all budget managers and local service commissions in each of the CRD's services. In addition, interim variance reporting is prepared by staff who use this to forecast estimated revenue and expenditures into the financial planning process, annually.

At the CRD Board meeting on May 10, 2017, the delegation bylaw was approved giving greater signing authority to all officers of the CRD. The Chief Administrative Officer now has up to \$5M while all General Managers have up to \$0.5M within the limit of the approved financial plan. To improve current controls and align to best practices, regular and systematic reporting of major capital projects has been in development since the end of 2017.

Just as the Priorities Dashboard provides a progress update on how the CRD is delivering initiatives in the Corporate Plan and the Board's strategic priorities, the Quarterly Capital Plan Report will update financial status on how the CRD is delivering against budget.

Financial plan variance analysis is the process of investigating deviations in financial performance from the limits defined in the budget. The value in monitoring variance analysis reporting is two-fold: it affords the Board a medium to exercise appropriate financial oversight but also provides the Board, staff and community critical insight into the performance of the organization and how to adjust going forward.

Consistent with reporting materiality set in the financial planning process, this quarterly report aims to highlight variances from budget for capital projects greater than \$500K.

ALTERNATIVES

Alternative 1

That the 2018 First Quarter Capital Plan Report be received for information.

Alternative 2

That the 2018 First Quarter Capital Plan Report be referred back to staff for further information.

FINANCIAL IMPLICATIONS

Expectations for the first quarter of the year are established by quarterly budget estimates based on the expected delivery of the projects in the annual capital plan. The budget estimate for the first quarter is often conservative with respect to progress planned for the whole year. Unless projects receive early approval in November from the Board, new projects are not initialized by operations until the annual financial plan bylaw is adopted in March at the end of the first quarter. The projects then move into the planning/procurement phase which results in progress trending higher through the remainder of the year.

Quarterly variances and annual forecasts for the 2018 significant capital projects are included in Appendix A.

The CRD capital plan expenditures on projects >\$500K was \$34.7M for the first quarter of 2018, 17% higher than quarterly budget estimates of \$29.7M. The \$5M variance is primarily due to sooner than expected spending of \$9M for the Core Area Wastewater Treatment Project (CAWTP) related to progress against the Clover Point and Macaulay Point components of the project. Other notable projects in the first quarter are the Unified Call Answer Center, the McCallum Road supply and distribution water mains, replacement of the Deep Cove Permastran water main and the Millstream Meadows remediation.

Excluding CAWTP, total expenditures were \$4.8M, lower than the \$8.7M quarterly budget estimate by \$3.9M for the first quarter. This reflects progress against the estimate of 55%. Of this \$3.9M, \$2.2M is still planned for completion within the year. The remainder are project expenditures that will be carried forward into 2019.

Forecasts to year end reflect actual experience in the first quarter. The 2018 forecast is higher than plan primarily due to more progress than expected for some components of CAWTP, which was offset by a number of projects forecasted to come in under budget and some projects forecasting carryforwards into 2019.

Projects with anticipated carryforwards are the E&N Rail Trail Phases 3 & 4, Sooke intake screens condition assessment and replacement, McCallum Pump Station, Sooke Rd Ph. 2 - 1,000m of 600m Pipe (Cecil Blogg to Jacklin) and the SEAPARC Facility Expansion.

Financial plan amendments for any significant changes to the annual capital plan will be included in the report scheduled for the June 2018 Board meeting.

CONCLUSION

Financial plan variance analysis is the process of investigating deviations in financial performance from the limits defined in the budget. The value in monitoring variance analysis reporting is two-fold: it affords the Board a medium to exercise appropriate financial oversight but also provides the Board, staff and community critical insight into the performance of the organization and how to adjust going forward.

RECOMMENDATION

That the Finance Committee recommend to the Capital Regional District Board:

That the 2018 First Quarter Capital Plan Report be received for information.

Submitted By:	Rianna Lachance, BCom, CPA, CA Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

RL:ngm

Attachments: Appendix A: Projects Greater than \$500,000