



# TOWN OF SIDNEY

## REPORT TO COUNCIL

**TO:** MAYOR & COUNCIL

**FROM:** Troy Restell, Manager of Finance  
Andrew Hicik, Director of Corporate Services

**DATE:** May 21, 2019 **FILE NO.** 1880-20

**SUBJECT:** 2018 YEAR END FINANCIAL RESULTS

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### PURPOSE:

The purpose of this report is to provide information on the 2018 operating results, and to update the status of the Town's accumulated operating surplus.

### BACKGROUND:

The Town adopted Council Policy FN-012 in 2003 to establish adequate levels of Surplus from Operations. A copy of the policy entitled Surplus Monies is attached as Schedule A. The policy sets out the purposes for establishment, the adequate levels as a percentage of annual revenues, proposed uses of the funds, and methods of replenishing any shortfalls. The policy remains relevant and useful to this day; no changes are recommended at this time.

The Town also follows Council Policy FN-008, amended in 2011, which outlines the financial reports that are presented to Mayor and Council each year. This is the last of the three regular financial reports, presenting the year end results by department, and capital projects, with explanations for significant variations.

### DISCUSSION:

The tables below provide a summary of the 2018 Surpluses or Deficits from Operations, accumulated surpluses from operations, and adequacy of the surpluses per policy FN-012 for each of the Town's operating funds.

#### General Operating Fund

<b>2018 Surplus from Operations</b>	<b>\$ 162,051</b>
2018 use of Surplus for Community Safety Building	(764,359)
2018 use of Surplus for Shaw Centre Canada 150 Legacy Art	(10,000)
Prior year's accumulated Surplus from Operations balance	2,891,294
<b>Accumulated Surplus from Operations at December 31, 2018</b>	<b>2,278,986</b>
Required adequate levels of surplus as per Policy FN-012	(2,908,130)
<b>Insufficient level of Surplus available at December 31, 2018</b>	<b>(629,144)</b>
2019 repayment of Surplus used for Community Safety Building	1,057,179
2019 budgeted use of Surplus for Operating	(350,000)
<b>Remaining surplus available in 2019</b>	<b>\$ 78,035</b>

**Garbage Utility**

<b>2018 Deficit from Operations</b>	<b>(10,496)</b>
Prior year's accumulated Surplus from Operations balance	144,906
<b>Accumulated Surplus from Operations at December 31, 2018</b>	<b>134,410</b>
Required adequate levels of surplus as per Policy FN-012	(88,104)
<b>Surplus available at December 31, 2018</b>	<b>46,306</b>
2019 budgeted Surplus from Operations	22,887
<b>Remaining surplus available in 2019</b>	<b>69,193</b>

**Water Utility**

<b>2018 Deficit from Operations</b>	<b>(134,834)</b>
Prior year's accumulated Surplus from Operations balance	583,395
<b>Accumulated Surplus from Operations at December 31, 2018</b>	<b>448,561</b>
Required adequate levels of surplus as per Policy FN-012	(293,017)
<b>Surplus available at December 31, 2018</b>	<b>155,544</b>
2019 budgeted use of Surplus for Operating	(110,766)
<b>Remaining surplus available in 2019</b>	<b>44,778</b>

**Sewer Utility**

<b>2018 Deficit from Operations</b>	<b>(51,927)</b>
Prior year's accumulated Surplus from Operations balance	958,467
<b>Accumulated Surplus from Operations at December 31, 2018</b>	<b>906,540</b>
Required adequate levels of surplus as per Policy FN-012	(322,982)
<b>Surplus available at December 31, 2018</b>	<b>583,558</b>
2019 budgeted use of surplus for Capital Projects	(163,600)
2019 budgeted use of Surplus for Operating	(132,025)
<b>Remaining surplus available in 2019</b>	<b>287,933</b>

The above tables indicate that all funds, with the exception of the General Operating fund, are at adequate levels of operating surplus, as per policy, as of Dec 31, 2018. The insufficient level of surplus in the General Operating fund is due to a temporary use of surplus funds to finance construction of the Community Safety Building; the \$1.057 million will be repaid during 2019/20 through allocation of various other sources of funding. Also of note, the Water fund has a secondary subset of surplus called the Water Stabilization reserve, with a balance of \$173,400; this source may be used to supplement any temporary shortages in the Water Utility that would otherwise require a rate adjustment to ensure an adequate long-term surplus balance.

It is important to note that all the above 2018 Surpluses from Operations are a measure of operating results against the budget; in the recently-presented financial statements, the Town's surpluses are measured differently, as required by international accounting rules. The results presented in this variance report are more indicative of Town performance during the year. The financial statements provide a useful, alternative perspective on the Town's financial status, and flexibility to provide future services.

Overall, financial results for 2018 met general expectations, with both revenues and expenses mostly following budget and trends established in previous years. As indicated in the summary tables, three of the four operating funds realized a Deficit from Operations, resulting in a consolidated Deficit from Operations of \$35,206. General Operating realized an operating surplus of \$162,051; this resulted from better than expected revenues and operational savings. On the revenue side, robust development activity resulted in better than expected permit and development fee revenues, the investment portfolio realized better than expected returns, and a gain on foreign exchange was realized in the Town's US bank account due to an appreciating US dollar. On the expense side, some savings were realized from temporary Town staff vacancies, and within some Public Works programs, where savings were achieved as various maintenance programs were partly deferred in order to focus on infrastructure renewal projects, as well as on cost-recoverable work associated with development.

The 2018 Financial Plan also included a budgeted transfer of \$305,300 from surplus to fund General Operating expenses; however, as anticipated, the positive year end results meant that this transfer was not required to balance operations for the year.

The Garbage Utility, which operates on a cost recovery basis, realized a small Deficit from Operations of \$10,496; this deficit was expected, as part of the plan to ensure garbage collection rates for residents and businesses remained unchanged for the duration of the 5-year garbage collection contract. The contract included cost increases to the Town in each year; in order to keep user rates constant throughout the contract, rates were set to produce surpluses in the first couple of years, to offset expected deficits in the latter years of the contract (as was the case in 2018). The garbage collection contract was extended in 2019 for an additional 5-year period, and user rates are expected to remain at current levels over the entire term.

Water Utility revenues and expenses are usually budgeted each year using trends from previous years, along with anticipated changes in operation. Some years we realize surpluses, and other years, deficits; this almost always depends on the volume of water consumption in any given year. In 2018, a deficit of \$134,834 was realized, as compared to the budgeted deficit of \$121,000 (essentially, a \$14,000 variance from expectations). In 2019, increases to the Town's water user rate, the first since 2011, and the water parcel tax, the first since 2012, will help stabilize the Water Utility, allowing it to maintain sufficient surplus and reserves to ensure that the water infrastructure is well maintained.

The Sewer Utility budget is also based on trends from previous years, but in some years actual results deviate from those trends. In 2018, the Sewer Utility realized a deficit of \$51,927, which was slightly higher than the budgeted deficit of \$19,963. Like the Water Utility, the deficit resulted from a desire to complete a review of the rate structure prior to initiating changes. This deferral of increases was made possible by a healthy accumulated surplus balance. However, like the Water Utility, a parcel tax rate increase was put in place for 2019, in anticipation of future cost impacts.

In 2019, anticipated completion of a review of the Water and Sewer Utility rate structures will provide vital information in future rate setting. It will take into account recent trends, as well as existing and forecasted levels of surplus and expenditures in both the Water and Sewer Utility funds. The intended outcome is a more sustainable rate structure for both utilities, to ensure more effective recovery of both fixed and operating costs of the utilities.

In the attached Schedule B, actual results are presented by department or activity in each of the Town's operating funds, and also by capital project, with the resulting variance from budget. The operating results are presented on a net basis; that is, revenues and expenses have been combined and presented as a single amount. An incomplete view of financial results can result when revenues and expenses are presented separately, whereas results presented on a net basis are more indicative of overall results. This differs significantly from the financial statements,

where revenues and expenses are reported separately, and are based on different definitions of what constitutes a revenue or an expense. The Capital results are presented on an expenditure basis (i.e. actual expenditures vs budget).

Actual and budget amounts represented as negative are net revenues, while positive amounts are net expenses. In the Variance column, a positive number indicates that operations were below budget, or that revenues exceeded budgeted expectations. A negative number indicates that the budget has been exceeded, or in the case of net revenues, that revenues came in below expectations. Significant factors contributing to the operating and capital results, and notable variances from budget, are outlined below, with note numbers corresponding to the figures presented in the attached Schedule B.

### **General Operating Fund**

- 1) General Revenue is comprised mostly of property taxes (including penalties & interest), grants in lieu of taxes (gov't agencies & utilities exempt from property taxes), provincial and federal grants, traffic fine revenue, and interest generated from the Town's investment portfolio; collectively, these revenues represent approximately 62% of total revenues in 2018. General Revenue actuals exceeded budget mostly due to the investment portfolio exceeding expected returns by \$95,000 and the Town's U.S. holdings realizing a foreign exchange gain of \$144,000. It is important to note that the foreign exchange gain is simply an accounting practice to recognize the increase in value as of December 31<sup>st</sup>; no funds from the Town's U.S. bank account were actually converted into CDN dollars. The Town does not budget for the foreign exchange gain. There is a risk to operating results should the exchange rate move in the other direction; however, sufficient gains have been realized over the past several years to offset any temporary losses.
- 2) General Administration results were better than budget mainly due to the Driver Services function – a profit centre budgeted to realize annual net revenues – where commissions exceeded operating costs by a greater than expected margin; the Computer Services function also realized savings on its contracted services, and maintenance of the Town Hall during the year was completed with less than expected labour costs. These better than expected results were partially offset by an Administrative Services function that experienced higher than budgeted legal fees; these costs were the result of a high number of special projects and agreements that required additional legal assistance. All legal fees are charged to Administrative Services, regardless of the benefiting functional area or project.
- 3) Election expenses exceeded the budget as the Town was not reimbursed by School District 63 for school trustee election costs, due to the single candidate being acclaimed to the position; as no election was required, the School District did not pay for the customary 1/3 of total election costs.
- 4) Although we usually expect to realize savings in the policing contract due to temporary absences due to illness, disability or reassignment, a mostly full complement of officers was achieved in 2018. Some minor savings were achieved due to transfers and unfilled positions; however, these savings were offset because of an expected increase to the RCMP pay package. The most recent pay package expired Jan 1, 2017 and the annual pay increases is estimated to be 2.5% or \$8,900 per member for the two years, so approximately \$85,000 was accrued in 2018 to reflect this future expense once new the pay package is finalized.
- 5) Permit revenues, including building, plumbing and demolition fees, were slightly higher than budget due to higher than projected development activity. It is anticipated that these

levels of development will continue into 2019; this has been budgeted accordingly, and will help fund the term position in the Engineering department that was put in place to deal with the increased volume of activity. On the expense side, labour savings were achieved due to temporary staff vacancies in Building Inspection and Bylaw Enforcement.

- 6) The Roads function finished 2018 at 95% of budget; this is mainly due to roads staff being busy with capital projects and deferring preventative maintenance and repairs in several Roads activities. Of note, and as a % of budget, traffic services, which includes street signs and line painting, was at 86%; patching & shouldering, which includes asphalt repairs and crack sealing, was at 95%; and street lighting maintenance at 95%. Also of note, the weather conditions in 2018 only resulted in 47% of the snow clearing budget being used. As Council will no doubt recall, the 2019 snow clearing budget was exceeded due to the major snowfall in February of this year.
- 7) The Bus Shelter function had better than expected results, as all anticipated advertising rental revenues for 2018 were received, while minimal repairs and maintenance were required. This is the result of a BC Transit program that has replaced most of the Town's bus shelters in recent years, thus requiring less maintenance.
- 8) This functions involves maintenance of the Town's parking lots, and is a profit centre that is budgeted to realize annual net revenues through parking permit fees, as opposed to net expenses. Higher than expected permit revenue, and minimal repairs and maintenance performed during the year, resulted in a better than expected outcome.
- 9) Docks & Ports is a profit centre budgeted to realize annual net revenues; revenues of note include recovery of Crown license fees from Port Sidney, Beacon Wharf lease payments from Satellite Fish Company and Alpine Ferry service, and annual rent due from Washington State Ferries. The revenues slightly exceeded budget due to labour savings for maintenance and repair at Beacon Wharf.
- 10) The Solid Waste Disposal function mostly represents the expenses incurred by the Town for contracted garbage collection, and the offsetting revenues collected through the quarterly garbage levy billed on the Utility Statement. The function also includes the pickup and disposal of garbage from public spaces, including the discarding of household items, which has seen an increase in recent years and is responsible for expenses being greater than budget. A budget increase to this function in 2019 will reflect this trend.
- 11) Development Services revenues, including development and rezoning permits, exceeded budget as a result of greater than expected development activity. Cost savings were also realized through temporary staffing changes.
- 12) Parks have managed their budgets reasonably well, but overall results for the year are slightly over budget. It was a longer than normal growing season, with above average water use. Some of the Parks maintenance areas were slightly over budget – such as Eastview Park, Beacon Park, Bevan/Beacon Triangle, Playground Equipment and various small Parks – while others were slightly under budget due to infrastructure replacement projects and cost-recoverable development-related work.
- 13) The Library function represents rent paid by the Vancouver Island Regional Library to occupy the Town's library building, less expenses to maintain the building and grounds. Additionally, 50% of the net proceeds are shared with North Saanich, who owned 50% of the building. This is a net revenue budget, where revenues are budgeted to exceed expenses. The net revenues are less than budget due to the suspension of VIRL rent

after September. This was approved by Council to accommodate the library moving to a temporary location during a \$1.5 million renovation, which has now been completed.

- 14) This Fiscal Services function represents transfers to and from internal funds during the year, debt servicing payments, community support, and other miscellaneous budgets that do not fall within a departmental budget. The 'Internal Transfer to Reserves and Other Accounts' variance of \$341,054 resulted from the budgeted transfer of \$305,000 from accumulated surplus not being required due to operational savings and better than expected revenues. (While the fact that we did not need the transfer from surplus to balance the budget, there is a resulting "negative variance" for this, as technically, some of the budgeted "revenues" were not realized). The remaining variance was due to a \$36,000 greater than expected transfer of interest earnings to Statutory Reserves; note that this was offset under the General Revenue function, as discussed in #1 above. The variance in the 'Other' budget resulted from a gain on disposal of Town equipment; all other expenses were on budget.

### ***Water and Sewer Operating Funds***

- 15) In the Water General Revenue function a deficit (use of surplus) of \$120,861 was budgeted to ensure user rates remained unchanged for 2018. This budgeted use of surplus, along with a \$7,000 shortfall in the collection of user fees and parcel taxes, was responsible for the \$127,466 deficit variance displayed in General Revenue.
- 16) The purchase of bulk water from the CRD exceeded budget by almost \$59,000 due to greater than expected water use; although partially offset by some administrative labour savings, this was responsible for the Administration function being over budget. Despite the overall shortage in User Fees, most of the overage in bulk water costs were covered through additional User Fee revenues.
- 17) Water Operations realized savings in some operational programs due to staff resources being assigned from maintenance programs to capital projects.
- 18) Given that water user fees and parcel taxes alone do not entirely cover Water Utility operations, and since a sufficient accumulated surplus balance has been maintained from prior years' operations, a deficit of \$120,861 was budgeted to ensure user rates remained unchanged, even in light of regular increases in bulk water costs. This was only possible due to a healthy accumulated surplus balance; a rate increase was approved for 2019 (the first since 2011) to ensure the surplus balance remains at sufficient levels going forward. The 2018 deficit of \$134,834 was slightly higher (just under \$14,000) than budget due to reasons discussed above.
- 19) In the Sewer General Revenue a deficit (use of surplus) of \$19,963 was budgeted; like the Water Utility, this was done to ensure user rates remained unchanged in 2018. This budgeted use of surplus, along with a \$16,500 shortfall in the collection of user fees, was responsible for the \$37,254 deficit variance displayed in General Revenue.
- 20) Sewer Operations realized a deficit mostly due to the \$1.4 million annual payment to the CRD for the Town's share of the Saanich Peninsula Wastewater Treatment Plant being slightly higher than budgeted.
- 21) As previously stated, the Sewer Utility has budgeted surpluses over the past several years in an effort to grow the accumulated surplus balance to acceptable policy levels after several years of deficits. This allowed a deficit of \$19,963 to be budgeted in 2018

to allow user rates to remain unchanged; a deficit of \$51,927 was realized, which was higher than the budgeted expectations.

### **Capital Projects**

Several capital projects were not started during the year, as staff did not have the capacity in light of other priorities, including the volume of cost-recoverable development work; those projects have mostly been re-budgeted for 2019, and have had the funding carried forward (these would typically appear with project budgets, but little or no expenditures, in the attached Schedule B).

While many of these projects will have been covered in the 2018 third quarter variance report, repeating the explanations in the year-end report provides a good summary of operations.

A couple of projects finished over budget, but there was no tax impact, nor impact to operating results, as funds were either redirected from other tax funded projects that were completed under budget or, with infrastructure projects, funded from reserves. During the 2018 budget process, infrastructure projects were reviewed to ensure cost estimates were correct and the scope was appropriate. However, there is always an element of risk involved with the estimation of infrastructure projects, and any extra costs of ensuring more complete estimates must be weighed against the potential for overages.

Council will notice a number of overages below that are related to Infrastructure Plan projects. The overall net overage on these projects was \$58,861 (virtually entirely due to the Tulista Volleyball Court - #55 below). However, with certain Infrastructure Plan projects deferred or carried forward for completion to 2019, the net draw on the reserves was well within budget.

- 22) Implementation of the Town's Asset and Work Management software is substantially complete; the system, called PEARL, went live January 1, 2016. These expenses represent ongoing improvements, which will continue for several more years. The software provides the Town with a comprehensive asset planning tool that will help ensure fiscally responsible stewardship of the Town's assets.
- 23) This is a module within PEARL that will provide tools to determine the best schedule of maintenance and replacement of Town assets over their life cycle, and the ability to predict the future condition of assets based on the Town's budget and spending priorities. The Town has been working with PEARL to ensure this module meets the Town's needs, but this is still ongoing and was not completed in 2018.
- 24) The Computer Replacement Plan is an annual program to replace existing computer equipment. The expenditures of this program are funded from reserves. The reserves are maintained through set annual contributions, to ensure that a consistent amount is allocated to equipment renewal every year, avoiding the need for lump sum allocations when the replacement of major network components is required. Some replacements were deferred to 2019; as a result, the entire budget was not spent in 2018, with the funding to remain in the reserve.
- 25) Tempest is a software suite that the Town uses to execute its Land Management, Bylaw Enforcement, Licencing, Development Activities, Calls for Service and Cash Collection activities. This project involves a Tempest software enhancement that will allow the Town's building inspectors to input their inspection results in the field and to look up information on properties, contacts and map access. The project commenced in November 2018 and will be completed in 2019.
- 26) OurCity, another Tempest software enhancement, is a responsive web application that will be linked to the Town's website and allow the public to look up details on permits and development applications and track their progress from a simple and intuitive interface.

OurCity allows the community to serve itself, reducing requests for information and freeing up valuable staff time. Staff did not have the capacity to start this project in 2018 and will carry it forward to 2019 for completion.

- 27) This project involved the programming language upgrade of several web applications on the Online Services section of the Town's website, such as the Electronic Home Owner Grant, MySidney, and Payment on Line. The outcome of this upgrade includes a common application framework (desktop & web) and an interface that makes these web applications match the look and feel of the Town's website. The project was completed under budget in 2018, with some minor costs to follow in 2019.
- 28) The Community Safety Building (CSB) is on target for completion in late spring of 2019. With all major tender packages having been awarded, the last budget projection provided to Council in mid-2018 remains accurate; the latter indicated a total project budget of \$16.35 million, some of which has been incurred over prior years. Just under \$5 million of work remains to be completed in 2019.
- 29) The land immediately south of the Mary Winspear site is the location of the Town's new CSB. An easement is required across MPS lands to provide access to the site. Payments of \$80,000 per year over a 5-year period were negotiated as compensation.
- 30) This project involves reorganization of General Duty section of RCMP Building to improve workflow and deal with space shortages. It will make better use of available space by allowing for more efficient operations and eliminating the need for additional building space. The unspent budget will be carried forward for completion in 2019.
- 31) This ongoing annual program is to replace Fire Department equipment, including hoses and hose appliances, firefighter gear and other specified equipment. The equipment being replaced has reached the end of its useful life. Some equipment replacements have been deferred to 2019, with the corresponding budget being carried forward.
- 32) This ongoing annual program is to replace Fire Vehicles that reach the end of their use lives, as per Council Policy FN-019: Mobile Equipment Replacement Plan, completely funded by reserves.
- 33) With completion of the Downtown Parking Study in late 2017, an employee parking lot was recommended as a main parking area for employees in the downtown, as well as overflow parking for Mary Winspear Centre and community events. This project was completed in May 2019.
- 34) This purchase has been initiated, with possession to occur in 2019. A wheel loader is a versatile piece of equipment that has variable attachments and can also be used as a fork lift and snow plow; a much more efficient and versatile piece of equipment than what the Town currently owns.
- 35) The Town's agreement with Washington State Ferries (WSF) requires that the Town undertake miscellaneous works related to the Marine Structures, including major maintenance and capital replacement. This project involves a rebuild of the ramp's hydraulics, reattachment of a floating lead chain, and removal of the decommissioned dock structure. Costs to date reflect work on the hydraulics component of this project; the outstanding work will be brought forward to 2020. Funding is from reserves, which are sustained mostly through the annual rents charged to WSF.

- 36) The original protective coating of the metal beams and supporting piles on the Washington State Ferry (WSF) dock is failing in many places due to the exposure to waves and salt water, and corrosion is a concern. The budgeted project involves removal of surface rust and application of a new coat of protective paint to the dock. The tender was awarded in late 2018, with the work to be completed in 2019.
- 37) Similar to the Marine Structures indicated above, the Town is also responsible for undertaking capital works on the ferry terminal buildings. While no work occurred in 2018, upgrades to the U.S. and Canada Customs buildings are expected to occur over 2019-21. Some of this work will be related to new requirements to be imposed under a pending preclearance agreement between the countries.
- 38) This project involved the replacement of pavement, curb, gutter and sidewalk on Resthaven, from Mills Road to Henry Ave.; additional grinding work was required and resulted in this project being over budget. There is no tax impact, as infrastructure projects are funded from reserves. The overage will be netted against savings on other infrastructure projects.
- 39) This project involves replacement of curbs and sidewalks, and paving of Second Street between Bevan and Sidney Avenues; the work is now complete, with total costs under budget. Like #38, and other infrastructure works, the project is funded from reserves, and the savings will be re-directed to infrastructure projects that finish over budget.
- 40) This infrastructure project involves replacement of curbs and gutters, and paving of Wesbrook Drive to Eastbrook Drive; the work is now complete, with total costs slightly over budget.
- 41) This completed paving project, which is related to the 2017 sewer main replacement on this section of Resthaven, was delayed until 2018 to allow adequate time for ground settlement before paving. Curb replacement, which was not part of the original scope, was required, resulting in this project being over budget.
- 42) This project involves extension of the sidewalk from Henry Ave. to Mills Rd. on the West side of Sidney and will result in 350m of new sidewalk to provide a safe walking option; recommendations from the 2017 West Side Local Area Plan detailed a distinct lack of pedestrian and cycling amenities on the West Side of Sidney. The project has been carried forward to 2019 with an increased budget of \$132,000.
- 43) This in-progress project involves upgrading the sidewalk to current standards on the north side of Malaview Avenue, from Melissa Street to Resthaven Drive. The project will be completed in 2019, with the unspent budget carried forward.
- 44) This project involves resurfacing and rebuilding portions the west Sidney highway bike trail. The current trail is experiencing bank failures and surface heaving in certain areas that run very close to the Pat Bay highway. This is a difficult repair

but the risk and level of use justifies a solid permanent repair. The project outcome will ensure a safe bike path that will strengthen connections to/from the existing residential areas on the West Side of Sidney. By the end of 2018, only the design phase of the project had begun, with the majority of the work to be initiated in summer 2019; as such, costs-to-date only reflect the design work.

- 45) This completed project involved replacement of storm main pipe on Epco Drive, from Brethourpark Way to Westleigh Way. This project was done in conjunction with the Epco Drive water main replacement project, from Ocean Avenue to Weiler Avenue (note #60). The project involved considerable unexpected underground conflicts, such as tree removal and relocation of an unrelated water main; as such, the project was completed over budget. This is a good example of the planning challenges associated with many infrastructure projects; some circumstances cannot be easily foreseen, and must be addressed mid-project, requiring a degree of flexibility in the funding from infrastructure reserves.
- 46) Replacement of storm main pipe on Third Street, from Ocean Ave to Orchard Ave was completed in 2018; the small remaining budget for this project will be carried forward to 2019 for boulevard reinstatement.
- 47) A new sidewalk is to be constructed along Galaran Road, as recommended in the 2017 West Side Local Area Plan. Project costs in 2018 are for design work. Options for the project were presented at an open house in early 2019, and based on community feedback, the project is likely to be phased.
- 48) This completed project involved replacing the storm drain outfall at Shoreacres & Rothesay, which was identified as badly corroded and collapsing. Once the work commenced, it was determined that only the concrete opening needed to be replaced, not the entire outfall pipe. This project was funded from reserves and the savings will be re-directed to infrastructure projects that finished over budget.
- 49) The Ocean Park Curb Realignment project involved removing asphalt and realigning the curb along a portion of Ocean Avenue adjacent to Totem Park. The curb and sidewalk were realigned in order to save an existing cedar tree; funding was from the Amenity Reserve. The actual costs to complete were less than budget due to the actual length of the new curb being less than estimated, and landscaping requirements less onerous than anticipated. The sidewalk component was paid for by the developer of adjacent 9600 Second Street, and is the first step in a longer term plan to complete the sidewalk on the north side of Ocean all the way to Fifth Street.
- 50) The initial phase of this project involved installation of Wayfinding signs downtown in 2016. The second phase of the project was put on hold in 2017, pending the completion of Downtown Design Guidelines. A decision on additional wayfinding signage was made in 2018, and the project was carried forward to 2019 for completion.
- 51) In 2017, the Town acquired additional leased lands from the VAA for construction of the CSB and an expansion of the public works yard; this project represents the latter. Although clearing of the site has already occurred, fencing of the site and

relocation of the Lochside Trail connection was deferred until completion of the CSB in spring 2019.

- 52) The Boulder Park project involves replacing the existing playground equipment and making other landscaping improvements. The 2017 West Side Local Area Plan recommended the creation of a network of green and open spaces on the west side of Sidney, and this project is one of the first steps in achieving this goal. The playground equipment was replaced in 2018, with the landscaping component to be completed in 2019.
- 53) This budget represents planned expenditures for replacement of Parks vehicles and equipment at the end of their useful lives; funded through regular annual contributions to the Vehicle & Equipment Replacement Plan.
- 54) Reay Creek Pond is classified as a Class 1 contaminated site with a “High Priority for Action”. The Pond contains high levels of heavy metal contamination including chromium, cadmium, zinc and lead. It was determined that these contaminants resulted from upstream industrial activities on the airport lands. The remediation of the pond entails removal of approximately 3,500 cubic meters of contaminated sediments, disposal of this material at an appropriate facility, and restoration of the pond. Transport Canada has indicated that to limit construction impacts on marine life that they will take a multi-phase approach to the project. This means that remediation on another section of Reay Creek, at the Victoria Airport, will move forward in 2019 and remediation on the downstream section will happen afterwards (2020).

This restructuring of the project provides the Town with sufficient time to properly plan for replacement of the dam structure, as well as determining what additional park improvements might be deemed desirable by residents. When this consultation is complete, it is potentially possible that all of the works (i.e. pond remediation, reconstruction of dam/or dam removal and park landscaping) could happen concurrently. The 2018 expenses represent geotechnical & biological reports that will be used to develop and deliver options to either repair, replace or remove the Reay Creek Dam.

- 55) \$30,000 was approved in the 2018 Parks Capital Budget for the construction of a sand based volleyball court at Tulista Park. This original cost estimate was completed without the benefit of a detailed design, and overlooked the requirement for drainage. Also, the uneven existing topography of the site became apparent during the design work in May of 2018. The drainage detail and final surface elevation caused the base preparation to include a significantly deeper excavation to tie into the existing infrastructure, essentially doubling the volume of material needing to be removed and replaced with select drain rock and sand to ensure a level playing surface. An additional unexpected cost was the construction of a storm drain manhole to tie into the existing drainage main. The oversight in the volume of material to be removed and replaced also doubled the excavation and trucking costs of the project.

This project was unique to Town staff, who had limited experience with this style of undertaking; the more research that was done during the design stage, it

became apparent that more costs would be incurred. As the project had already been delayed one year, it was decided to complete the project and maintain a high standard of specifications to limit risk.

- 56) The project involves changes to the Tulista Park sidewalk, including raising the grade to prevent winter flooding, and widening it to 3 metres to allow for multiple users (pedestrians, scooters, skateboards, bikes). This project was not started in 2018 and has been deferred to 2020 with a new budget of \$200,000.
- 57) The Stormwater Model Calibration project involved hiring a consultant to complete an in depth storm water Model Calibration on the entire system. The storm water model completed in 2016 indicated capacity deficiencies in the Town's storm water system, but that finding did not agree with operating experience, as backups have been rare. By installing some flow monitors and recording data, the parameters of the model can be adjusted to better reflect operating conditions. Detailed storm water model calibrations will identify priority upgrade locations within the system to identify areas where development contributions may be considered, and to update the 20-year storm water replacement plan. This Gas Tax funded project was completed under budget.
- 58) This project commenced in late 2017, and involved the installation of solar panels on the Parks building at the Works Yard, which will generate 42,400 kw-hr of electricity annually, or the equivalent of four average homes. The project is now complete, but with increased panel costs and the installation of an emergency shutdown function (not part of the original project scope), the final costs for the project were over budget. Funding for this project, and the overage, will come from Gas Tax revenues.
- 59) Tenders received for this project came in much higher than expected in 2017, due to the robust construction market, so the decision was made to push the project forward to 2018 with an enhanced budget and increased funding from reserves. The approved budget for this project increased to \$1.2 million (including the Sanitary Sewer components at \$360,000; note #64); it was successfully re-tendered in early 2018 and commenced in late spring. The overall project was completed \$242 over budget.
- 60) Refer to #45.
- 61) Due to recent and pending developments that have and will significantly increase density in the White Birch area, this project originally involved upgrades to the water main and installation of an all-weather fire truck access between Resthaven Drive & White Birch Road. The water main component of the project has been completed within budget, while the fire access component was removed during the 2018 financial plan process, to be resubmitted at a later date. An additional \$5,000 has been budget in 2019 for landscaping reinstatement.
- 62) This is a multi-year project to replace outdated and failing water meters, to be funded from reserves. The technology to be used, and whether it will be contracted out, still needs to be determined; as such, the majority of this budget will remain in the Water Utility reserves to be used to fund this project in 2019 and beyond.

63) To repair protruding service connections that are reducing the capacity of storm and sanitary mains along Siddall Road. These protrusions prevented a complete inspection of the system and had the potential to restrict flows. With the use of robotic "no dig" trenchless technology, the need for ground disturbance surface repairs was eliminated and time to repair was reduced to one day from an estimated one week, resulting in significantly reduced costs.

64) Refer to #59.

65) This project involved applying a vinyl wrap on the new Ocean pump station kiosk. In addition, several other, older utility kiosks were identified in the downtown to be wrapped as part of a long term program to have these industrial-looking kiosks beautified to compliment the surrounding neighborhood. The unused budget will be carried forward to 2019 to fund this program.

66) This ongoing annual program is to replace Town Vehicles, as per Council Policy FN-022: Mobile Equipment Replacement Plan, completely funded by reserves.

### **FINANCIAL IMPLICATIONS:**

The 2018 Year End Financial Results report is a useful summary of the Town's operating results, and a supplement to the Town's Financial Statements. The report illustrates that the Town experienced a better than expected operating surplus in General Operating; however, this was offset with slightly larger than expected deficits in both Water and Sewer Utilities. All the operating funds maintain surplus balances that are above policy levels with the exception of the General Operating fund, but this is a temporary situation until the CSB debt is finalized. Overall, the operating results have demonstrated that the Town is committed to sound financial management, and there are no areas of concern.

Please note that the variance report presented here will always differ from the results shown in the Town's financial statements, as the two measures are intended for different purposes, and are prepared according to different sets of accounting rules. This variance report more accurately reflects the Town's results in relation to its budget, and should be the set of numbers that receives the most attention from Council and the public. The Financial Statements, under existing rules, are not intended for such an evaluation. However, the two sets of numbers are both part of the overall measure of the Town's financial position and performance.

### **RECOMMENDATION:**

That this report be received for information.

Respectfully submitted:

I concur:

I concur:

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Troy Restell  
Manager of Finance

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Andrew Hicik  
Director of Corp. Svcs.

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Randy Humble  
Chief Administrative Officer

**SCHEDULE A**

<b>TITLE:</b>			
<b>SURPLUS MONIES</b>			
<b>Origin:</b>	Finance		
<b>Adopted:</b>	Council – October 27, 2003	#2003.38.807	Ref: FN-012
<b>Amended:</b>			Page: 1 of 1

1. To provide adequate working capital to reduce need for temporary borrowing throughout the year.
2. Revenue Stabilization. If revenue budgets are not met these are funds available to cover shortfall.
3. To provide adequate reserve for major disasters or contingencies.
4. Investment earnings on surplus funds are brought into revenue each year to offset revenue required from property taxes.

**A) Adequate Levels of Surplus**

- |    |                        |  |
|----|------------------------|--|
| 1. | General Operating Fund | 25% - 50% of Municipal Property Taxes              |
| 2. | Water Operating Fund   | 10% - 15% of Water Sales & Water Parcel Tax        |
| 3. | Sewer Operating Fund   | 10% - 15% of Sewer User Charges & Sewer Parcel Tax |
| 4. | Garbage Utility        | 10% - 15% of Garbage User Fees                     |

**B) Surplus Funds in Excess of Adequate Levels**

Surplus funds in excess of the adequate level can be used as follows:

1. Brought into general revenue to fund Contingencies.
2. Used as reserve for future expenditures to fund capital work or special projects.
3. Brought into revenue to stabilize property taxes.

**C) Insufficient Level of Surplus Funds**

Surplus funds can be increased to adequate levels by:

1. Retention of annual surpluses until adequate level of surplus funds achieved.
2. Transfers to surplus can be included in the Annual Budget.

**D) Changes to Policy**

Council retains the ability to alter the level of surplus or use of surplus funds if such an alteration is determined to be in the best interest of the Town.

**SCHEDULE B**

	2018 YTD Actual	2018 Budget	YTD Variance	% of Budget	Note #
<b>GENERAL OPERATING</b>					
<b>GENERAL REVENUE</b>					
Taxation, Interest & Gov't Transfers	\$ (13,171,539)	\$ (12,955,074)	\$ 216,465	102%	1
	<b>(13,171,539)</b>	<b>(12,955,074)</b>	<b>216,465</b>	<b>102%</b>	
<b>CORPORATE SERVICES</b>					
Council	234,742	228,058	(6,684)	103%	
Committees	3,000	5,000	2,000	60%	
	<b>237,742</b>	<b>233,058</b>	<b>(4,684)</b>	<b>102%</b>	
<b>GENERAL ADMINISTRATION</b>					
Administrative Services	613,532	588,859	(24,673)	104%	
Financial Services	671,875	671,498	(377)	100%	
Driver Services	(108,606)	(80,000)	28,606	136%	
Common Services	141,881	147,333	5,452	96%	
Computer Services	481,155	494,428	13,273	97%	
Other	(219,218)	(207,994)	11,224	105%	
	<b>1,580,618</b>	<b>1,614,124</b>	<b>33,506</b>	<b>98%</b>	<b>2</b>
<b>ELECTIONS</b>					
Elections & Referendum	18,856	4,000	(14,856)	471%	
	<b>18,856</b>	<b>4,000</b>	<b>(14,856)</b>	<b>471%</b>	<b>3</b>
<b>PROTECTIVE SERVICES</b>					
Police Protections	2,351,056	2,392,255	41,199	98%	4
Court House	32,543	34,276	1,733	95%	
Fire Protection	1,298,607	1,323,783	25,176	98%	
Emergency Measures	44,571	40,500	(4,071)	110%	
Bldg Insepction/Bylaw Enforcement	(47,970)	53,300	101,270	-90%	5
	<b>3,678,807</b>	<b>3,844,114</b>	<b>165,307</b>	<b>96%</b>	
<b>TRANSPORTATION</b>					
Common Services	1,013,909	1,020,271	6,362	99%	
Roads	880,458	927,665	47,207	95%	6
Bus Shelters	(3,122)	5,690	8,812	-55%	7
Parking Lots	(39,732)	(29,271)	10,461	136%	8
Dock & Port Facilities	(227,687)	(213,254)	14,433	107%	9
Storm Drains	204,631	204,703	72	100%	
Hydrants	41,012	38,690	(2,322)	106%	
	<b>1,869,468</b>	<b>1,954,494</b>	<b>85,026</b>	<b>96%</b>	
<b>ENVIRONMENTAL HEALTH</b>					
Solid Waste & Environmental Programs	181,128	150,535	(30,593)	120%	10
	<b>181,128</b>	<b>150,535</b>	<b>(30,593)</b>	<b>120%</b>	
<b>DEVELOPMENT SERVICES</b>					
Municipal Planning	384,498	433,400	48,902	89%	11
	<b>384,498</b>	<b>433,400</b>	<b>48,902</b>	<b>89%</b>	

	2018 YTD Actual	2018 Budget	YTD Variance	% of Budget	Note #
<b>GENERAL OPERATING</b>					
<b>RECREATION &amp; CULTURE</b>					
Parks	1,189,576	1,161,813	(27,763)	102%	12
Library	(21,424)	(28,376)	(6,952)	76%	13
Senior's Centre	105,299	111,558	6,259	94%	
Museums	121,037	123,633	2,596	98%	
	<b>1,394,488</b>	<b>1,368,628</b>	<b>(25,860)</b>	<b>102%</b>	
<b>FISCAL SERVICES</b>					
Internal Transfers to Reserves & Other Accounts	2,543,977	2,202,923	(341,054)	115%	
Debt Servicing	409,430	403,798	(5,632)	101%	
Other	38,697	69,000	30,303	56%	
Community Support	682,275	677,000	(5,275)	101%	
	<b>3,674,379</b>	<b>3,352,721</b>	<b>(321,658)</b>	<b>110%</b>	<b>14</b>
<b>General (Surplus) / Deficit</b>	<b>\$ (151,554)</b>	<b>\$ -</b>	<b>\$ 151,554</b>		
<b>WATER UTILITY</b>					
General Revenue	\$ (1,958,395)	\$ (2,085,861)	\$ (127,466)	94%	15
Administration	1,582,664	1,537,871	(44,793)	103%	16
Training	9,871	16,571	6,700	60%	
Operations	213,724	239,119	25,395	89%	17
Internal Transfers to Reserves & Other Accounts	286,970	292,300	5,330	98%	
<b>Water (Surplus) / Deficit</b>	<b>\$ 134,834</b>	<b>\$ -</b>	<b>\$ (134,834)</b>		<b>18</b>
<b>SEWER UTILITY</b>					
General Revenue	\$ (2,158,709)	\$ (2,195,963)	\$ (37,254)	98%	19
Administration	164,791	164,781	(10)	100%	
Training	14,717	16,657	1,940	88%	
Operations	1,740,609	1,721,125	(19,484)	101%	20
Internal Transfers to Reserves & Other Accounts	290,520	293,400	2,880	99%	
<b>Sewer (Surplus) / Deficit</b>	<b>\$ 51,927</b>	<b>\$ -</b>	<b>\$ (51,927)</b>		<b>21</b>
<b>Total Operating (Surplus) / Deficit</b>	<b>\$ 35,207</b>	<b>\$ -</b>	<b>\$ (35,207)</b>		

	2018 YTD Actual	2018 Budget	YTD Variance	% of Budget
<b>GENERAL CAPITAL</b>				
Town Hall Fitness Room Floor	\$ 2,125	\$ 2,500	\$ 375	85%
PEARL - Software Enhancements	2,660	10,000	7,340	27% <b>22</b>
PEARL - Asset Performance Module	1,720	20,000	18,280	9% <b>23</b>
Workspace Efficiency Upgrades - Town Hall	224	5,000	4,776	4%
Computer Replacement Plan	80,146	170,000	89,854	47% <b>24</b>
Computer Equipment	1,201	5,000	3,799	24%
Council Chamber Upgrades	3,483	5,000	1,517	70%
Tempest - Prospero Mobile Insp	5,002	18,000	12,998	28% <b>25</b>
Diamond - GP 2018 Upgrade	8,063	10,000	1,938	81%
Tempest - Our City	-	12,500	12,500	0% <b>26</b>
Tempest - Conversion to .NET	7,633	16,500	8,868	46% <b>27</b>
RCMP Furnishings	6,409	10,000	3,591	64%
Community Safety Bldg	7,764,359	12,000,000	4,235,641	65% <b>28</b>
CSB Access Easement	80,000	80,000		100% <b>29</b>
RCMP Sidewalk Extension	6,093	7,000	907	87%
RCMP General Duty Section Reorganization	2,600	16,000	13,400	16% <b>30</b>
RCMP Garage Door Replacement	2,330	6,500	4,170	36%
RCMP Staff Entry Door	298	5,000	4,702	6%
Fire Department Small Equipment	33,495	50,245	16,750	67% <b>31</b>
Fire Dept. Vehicles	49,942	50,000	58	100% <b>32</b>
Engineering Equipment	2,548	4,500	1,952	57%
Public Works Equipment	9,300	10,000	700	93%
Green Tech Projects	-	10,000	10,000	0%
Downtown Employee Parking Lot	1,051,109	1,300,000	248,891	81% <b>33</b>
Bus Stop Improvements	-	5,600	5,600	0%
Wheel Loader	-	160,000	160,000	0% <b>34</b>
Underground Wiring	2,213	20,000	17,787	11%
Ferry Terminal Marine Structures	35,650	305,000	269,350	12% <b>35</b>
Ferry Terminal Dock Metal Painting	17,030	300,000	282,970	6% <b>36</b>
Ferry Terminal Bldg Improvements	-	300,000	300,000	0% <b>37</b>
Infra - Resthaven - Henry to Mills Paving	135,846	120,000	(15,846)	113% <b>38</b>
Infra - Second St-Bevan Ave to Sidney Ave	214,512	246,200	31,688	87% <b>39</b>
McDonald Park Rd Paving	-	3,000	3,000	0%
Resthaven Curb Returns	-	20,000	20,000	0%
White Birch Rd Cul de Sac Improvements	-	60,000	60,000	0%
Infra - Westbrook Paving	186,664	177,000	(9,664)	105% <b>40</b>
Infra - Resthaven - Malaview to Amherst Paving	92,174	43,800	(48,374)	210% <b>41</b>
McDonald Park Road Sidewalk	4,776	65,000	60,224	7% <b>42</b>
Malaview Ave Sidewalk	30,350	108,000	77,650	28% <b>43</b>
Bike Path West Side of Highway	9,674	250,000	240,326	4% <b>44</b>
White Birch Storm Drain		20,000	20,000	0%
Infra - Epcoc Dr Storm	238,456	163,200	(75,256)	146% <b>45</b>
Infra Storm - Third St, Ocean to Orchard	73,030	77,300	4,270	94% <b>46</b>
Infra Storm - McDonald Park, Firelane #2 to Malaview		81,400	81,400	0%
Galaran Sidewalk	6,585	350,000	343,415	2% <b>47</b>
Shoreacres/Rothesay Outfall Replacement	3,089	100,000	96,911	3% <b>48</b>
Ocean Ave Curb Realignment	14,736	30,000	15,264	49% <b>49</b>
Henry Ave Crosswalk	46,889	44,000	(2,889)	107%
Wayfinding Signage	2,856	29,000	26,144	10% <b>50</b>

Skatepark Seating		20,000	20,000	0%	
PW Compound Extension/Fencing	1,471	86,000	84,529	2%	<b>51</b>
DCC Bylaw		10,000	10,000	0%	
Rotary Park Chain Link Fence	5,824	7,500	1,676	78%	
Parks Equipment	6,087	10,000	3,913	61%	
Melissa Park Improvements	12,058	12,000	(58)	100%	
Multi Court Lighting		20,000	20,000	0%	
Boulder Park	31,919	50,000	18,081	64%	<b>52</b>
Waterfront Walkway Upgrade		28,700	28,700	0%	
Skate Park Sidewalk		15,000	15,000	0%	
Parks Vehicle	77,852	80,000	2,148	97%	<b>53</b>
Reay Creek Dam	29,311	22,150	(7,161)	132%	<b>54</b>
Tulista Park Volleyball Court	79,843	30,000	(49,843)	266%	<b>55</b>
Irrigation Upgrades	13,159	25,000	11,841	53%	
Central Irrigation Monitoring		15,000	15,000	0%	
Tulista Park Sidewalk Improvements		150,000	150,000	0%	<b>56</b>
Rotary Park Irrigation Replace	1,382	30,000	28,618	5%	
Shoal Centre Flooring	15,291	26,300	11,009	58%	
Stormwater Model Calibration	31,622	60,000	28,379	53%	<b>57</b>
PW Solar Project	120,364	95,000	(25,364)	127%	<b>58</b>
Infra Storm - Ardwell Ave	813,790	840,000	26,210	97%	<b>59</b>
Infra Storm - Stirling Way		18,600	18,600	0%	
Water Fountain Stations Downtown	8,115	15,000	6,886	54%	

<b>Total General</b>	<b>11,483,354</b>	<b>18,568,495</b>	<b>7,085,141</b>	<b>62%</b>	
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#### WATER CAPITAL

Hydrant Upgrade	\$ 6,616	\$ 10,000	\$ 3,384	66%	
Infra - Epco Drive - Weiler to Ocean	288,484	241,400	(47,084)	120%	<b>60</b>
Infra - McDonald Park Rd		23,800	23,800	0%	
Water Equipment	5,454	10,000	4,546	55%	
White Birch Loop Watermain and Fire Road	147,273	150,000	2,727	98%	<b>61</b>
Meter Replacement Program	59,772	125,000	65,228	48%	<b>62</b>

<b>Total Water</b>	<b>507,599</b>	<b>560,200</b>	<b>52,601</b>	<b>91%</b>	
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#### SEWER CAPITAL

Siddall Sewer & Drain Reno	\$ 3,604	\$ 30,000	\$ 26,397	12%	<b>63</b>
Frost Pump Station Kiosk Replacement	10,157	15,000	4,843	68%	
Ardwell Ave. Sanitary Sewer	386,452	360,000	(26,452)	107%	<b>64</b>
Ocean Pump Station/Utility Kiosk Wrap	4,312	15,000	10,688	29%	<b>65</b>
Infra - Harbour Pump Station		63,600	63,600	0%	
Town Hall Service Connections		10,000	10,000	0%	
Sewer Camera Replacement	13,445	15,000	1,555	90%	
Sewer Equipment	8,676	10,000	1,324	87%	
Access Hatches - Pump Stations		20,000	20,000	0%	
Sewer Vehicles	55,479	45,000	(10,479)	123%	<b>66</b>

<b>Total Sewer</b>	<b>482,123</b>	<b>583,600</b>	<b>101,477</b>	<b>81%</b>	
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<b>Total Capital</b>	<b>\$ 12,473,076</b>	<b>\$ 19,712,295</b>	<b>\$ 7,239,219</b>	<b>63%</b>	
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