



TOWN OF SIDNEY

REPORT TO COUNCIL

TO: MAYOR & COUNCIL

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

DATE: May 19, 2020 **FILE NO.** 1880-20

SUBJECT: 2019 YEAR END FINANCIAL RESULTS

PURPOSE:

The purpose of this report is to provide information on the 2019 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 2019 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

2019 Surplus from Operations	\$ 449,592
2019 repayment of Surplus from Community Safety Building	974,526
Prior year's accumulated Surplus from Operations balance	2,278,985
Accumulated Surplus from Operations at December 31, 2019	3,703,103
Minimum required level of surplus as per Policy FN-012 (25%)	(2,990,491)
Surplus available at December 31, 2019	712,612
2020 budgeted use of Surplus for Operating	(427,181)
2020 budgeted use of Surplus for COVID Tax Reduction	(548,857)
Projected surplus available at end of 2020	\$ (263,426)

Garbage Utility

2019 Surplus from Operations	21,872
Prior year's accumulated Surplus from Operations balance	134,411
Accumulated Surplus from Operations at December 31, 2019	156,283
Minimum required level of surplus as per Policy FN-012 (10%)	(56,628)
Surplus available at December 31, 2019	99,655
2020 budgeted Surplus from Operations	11,660
Projected surplus available at end of 2020	\$ 111,315

Water Utility

2019 Deficit from Operations	(84,876)
Prior year's accumulated Surplus from Operations balance	448,561
Accumulated Surplus from Operations at December 31, 2019	363,685
Minimum required level of surplus as per Policy FN-012 (10%)	(202,547)
Surplus available at December 31, 2019	161,138
2020 budgeted use of Surplus for Operating	(153,278)
Projected surplus available at end of 2020	\$ 7,860

Sewer Utility

2019 Deficit from Operations	(26,384)
Prior year's accumulated Surplus from Operations balance	906,540
Accumulated Surplus from Operations at December 31, 2019	880,156
Minimum required level of surplus as per Policy FN-012 (10%)	(221,237)
Surplus available at December 31, 2019	658,919
2020 budgeted use of surplus for Capital Projects	(163,600)
2020 budgeted use of Surplus for Operating	(126,238)
Projected surplus available at end of 2020	\$ 369,081

The above tables indicate that all funds are at adequate levels of operating surplus, as per policy, at Dec 31, 2019. Additionally, the Water fund has a secondary subset of surplus called the Water Stabilization reserve, with a balance of \$104,500; 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. An adequate level of surplus remains in the General operating fund at the end of 2019; while the table above indicates a projected shortfall at the end of 2020, we are not likely to use the entire amount of surplus that was put in place to balance the operating budget for the year.

It is important to note that all the above 2019 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 last 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 2019 met general expectations, with both revenues and expenses mostly following budget and trends established in previous years. As indicated in the summary tables, two of the four operating funds realized deficits from operations; however, a consolidated Surplus from Operations of \$360,204 was realized. General Operating realized an operating surplus of \$449,592; this resulted from better than expected revenues and operational savings. On the revenue side, development activity resulted in better than expected revenues from permits and fees charged on cost-recoverable work, and the investment portfolio realized better than expected returns. On the expense side, savings were realized with the RCMP policing contract due to temporary vacancies, and within some Public Works programs, 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 2019 Financial Plan also included a budgeted transfer of \$350,000 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 surplus from Operations of \$21,872; this surplus 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 includes cost increases to the Town in each year; in order to keep user rates constant throughout the contract, rates have been set to produce surpluses in the first couple of years, to offset expected deficits in the latter years of the contract. 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. Deviations from expected results are often a factor of the volume of water consumption in a given year. In 2019, a deficit of \$84,876 was realized, as compared to the budgeted deficit of \$110,766 (essentially, a \$26,000 variance from expectations). Although water consumption was close to budget, savings were achieved in some maintenance programs resulting in a lower than expected deficit. In 2019, increases to the Town's water user rate, the first since 2011, and the water parcel tax, the first since 2012, helped to 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. In 2019, the Sewer Utility realized a deficit of \$26,384, which was less than the budgeted deficit of \$132,025. The less than budgeted deficit was from savings achieved in some maintenance programs, but mostly from the payment to the CRD for the Town's share of operating the Saanich Peninsula Wastewater Treatment Plant being \$72,000 less than budget. Like the Water Utility, a parcel tax rate increase was put in place for 2019, in anticipation of future cost impacts.

In 2020, 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 accounting 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 net expenditures 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. General Revenue actuals exceeded budget by \$654,000 mostly due a one-time doubling of the Gas Tax transfer to municipalities as part of the 2019 federal budget which resulted in the Town receiving \$1.095 million of funding, as compared to the originally expected amount of \$549,000. In addition, the investment portfolio exceeded expected returns by \$183,000. This was partially offset from the Town's U.S. holdings bank account realizing a foreign exchange loss of \$67,500. It is important to note that the foreign exchange loss is simply an accounting practice to recognize the decrease in value as of December 31st; no funds from the Town's U.S. bank account were actually converted into CDN dollars. The previous two years realized large exchange gains, offsetting any temporary losses realized this past year. The Town does not budget for the foreign exchange gain or loss, so it is always part of the year-end variance.
- 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, as well as a large credit for switching our mobile phone contract to a new provider. Maintenance of the Town Hall during the year was also completed under budget.
- 3) The policing contract was \$334,000 less than budget due to savings realized from temporary absence of members due to illness, disability or reassignment; costs relating to these absences are not charged directly to the Sidney detachment. A portion of these savings (\$83,400) was set aside for anticipated future salary increases, while an additional \$152,000 was transferred to reserves for future RCMP capital projects.
- 4) Permit revenues, including building, plumbing and demolition fees, were higher than budget due to higher than projected development activity; it is anticipated that these levels of development will continue into 2020. On the expense side, administrative and labour savings were achieved within Building Inspection.
- 5) The Roads function finished 2019 at 98% of budget; roads staff were busy with capital projects and some preventative maintenance, and repairs were deferred for a few Roads activities. Of note, and as a percentage of budget, traffic services, which includes street signs and line painting, was at 63%; sidewalks, walkways & lanes, which includes repairs and replacement due to age and damage, was at 71%; and patching & shouldering, which includes asphalt repairs and crack sealing, was at 92%. However, these savings were mostly offset by greater than normal snowfall in 2019, resulting in 316% of the snow clearing budget being used, or \$76,700 greater than budget.

- 6) The Bus Shelter function had better than expected results, as all anticipated advertising rental revenues for 2019 were received, while expected repairs and maintenance were performed. 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.
- 7) 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.
- 8) 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 leases, and annual rent due from Washington State Ferries. The revenues slightly exceeded budget due to labour savings for maintenance and repair at Beacon Wharf and Bevan Pier.
- 9) The Storm Drain program, which includes maintenance and operational inspections, was largely carried out. However, fewer repairs were required than normal, and some maintenance work was deferred to 2020 to focus on infrastructure renewal projects and cost-recoverable work due to development during the year. Repairs to the storm drain system are needed when problems occur, such as roots in the system, collapsed pipe, relocation of catch basins, or adding extra drains in areas where drainage patterns have been altered due to development.
- 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 by Town staff and the Town's garbage contractor, Emterra; an increasing volume of refuse is responsible for the higher than expected expenses. A budget increase to this function in 2020 reflects this trend.
- 11) Some Parks activities were slightly under budget for the year, while others were slightly over; overall net results were almost right on budget.
- 12) 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. This is a net revenue budget, where revenues are budgeted to exceed expenses; 50% of the net proceeds are shared with North Saanich, who own 50% of the building. The library opened earlier than expected following renovations, resulting in slightly more net revenue than anticipated.
- 13) The Fiscal Services function represents transfers to and from internal funds during the year, debt servicing payments, community support, and other miscellaneous budget items that do not fall within a departmental budget. The 'Internal Transfer to Reserves and Other Accounts' variance of \$720,065 resulted largely from unbudgeted transfers to reserve, most of which were offset with positive variances in General Revenue above; these included the additional Gas Tax funding received (as discussed in #1), unbudgeted developer contributions of cash to Amenity and Parking Reserves, and greater than expected interest earnings transferred to Statutory Reserves. The variance in the 'Other' budget resulted from a gain on disposal of Town land; all other expenses were on budget.

Water and Sewer Operating Funds

- 14) In the Water General Revenue function a deficit (use of surplus) of \$110,766 was budgeted to ensure that only a small user rate increase was needed in 2019; this was possible given the sufficient level of accumulated water surplus. This budgeted use of surplus, along with

\$17k less than budgeted Sale of Water, was responsible for the \$124,624 deficit variance displayed in General (Water) Revenue.

- 15) Water Operations realized savings in some operational programs due to fewer repairs being required, and deferral of some maintenance work to 2020 to focus on infrastructure renewal projects and cost-recoverable work related to development during the year.
- 16) 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 \$110,766 was budgeted to ensure that only modest user rate increases were required in 2019, even in light of regular increases in bulk water costs. A rate increase was approved for 2019 (the first since 2011) to ensure the surplus balance remains at sufficient levels going forward. The 2019 deficit of \$84,876 was less (just under \$26,000) than budget due to the reasons discussed above.
- 17) In the Sewer General Revenue a deficit (use of surplus) of \$132,025 was budgeted; like the Water Utility, this was done to ensure that the parcel tax rate increase was modest in 2019. This budgeted use of surplus, along with a \$4,000 shortfall in the collection of user fees, which is directly correlated to the reduced sale of water noted in #14, was responsible for the \$136,246 deficit variance displayed in General (Sewer) Revenue.
- 18) As previously noted, Sewer Operations realized a smaller than budgeted deficit due to the \$1.48 million annual payment to the CRD for the Town's share of the Saanich Peninsula Wastewater Treatment Plant being less than expected, and also from savings achieved in some maintenance programs
- 19) Due to the factors discussed above, the Sewer Utility realized a smaller than anticipated deficit of \$26,384 in 2019.

Capital Projects

Many capital projects were completed or at least started during the year; several projects have been carried forward for completion, including some that required additional funding as part of the recent budget deliberations. While many of these projects will have been covered in the 2019 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 2019 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.

- 20) The Computer Replacement Plan is an annual program to replace existing computer equipment; the expenditures of this program are funded from Computer 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 procured for less than expected, while some were deferred to 2020; any unused funding remains in the reserve.

- 21) This project represents the Town's 50% share of the removal of the Pad Mounted Transformer that was situated on the Third Street parking lot, and establishment of a new hydro connection to the Stones Throw condominium building; BC Hydro is responsible for the remaining project costs.
- 22) 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, to look up information on properties and contacts, and to access mapping features. The project commenced in November 2018 and was completed in 2019 within budget.
- 23) OurCity 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 2019, so it has been carried forward to 2020 for completion.
- 24) 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 initiated in 2018 and completed in 2019 under budget.
- 25) The RCMP Boiler Replacement project is now complete and involved replacing a failing boiler with a new, high efficiency dual boiler system. The Town's share of this project was 48%; North Saanich paid 35% and the Province 17%. The project was slightly over budget, with savings in other property tax funded projects redirected to the Town's share of the overage.
- 26) The Community Safety Building (CSB) is now complete. As previously indicated, final expenditures in 2019 exceeded the remaining budget due primarily to the need to address code and safety issues identified by the Airport's building inspection contractor as part of final inspections leading to occupancy. Some of the overages were covered by additional recoveries. Staff had started a report on the final costs, along with a full breakdown of funding, in early March; unfortunately, this had to be set aside to deal with other pressing issues, but the report will be delivered to Council in June.
- 27) 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.
- 28) This project, finished under budget, involved 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.
- 29) 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. All unspent funds are being carried forward to 2020.
- 30) 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. Replacement of the Town's Squad 1 Fire Engine (fire engine that carries the Jaws of Life and related extrication equipment) was advanced from 2020 to 2019 due to mechanical issues and out-of-service time of the previous vehicle. The total costs reflect the purchase of the new engine and outfitting the new engine. The old engine was sold to the Piers Island Volunteer Fire Department, with the proceeds going to reserves to fund Fire vehicle replacements. Had the sale proceeds been netted against the cost of the new engine, the project would have been about \$9,000 under budget.

- 31) This Land Reserve funded project involved replacement of the pathway connecting Eight Street to Bevan Avenue, and was advanced from the 2021 budget. Completed under budget, the drain component of the project required less excavation and shoring than anticipated; savings remain in the reserve.
- 32) The expenses to-date for this project reflect design costs for placing Hydro underground at Third Street and Sidney Ave; Telus and Shaw will also be put underground at the same time. The actual physical work will not occur until 2020, so the remaining budget has been carried forward. The Town's share for this project will be approximately \$139,000, to be funded from the Amenity Reserve
- 33) These paving infrastructure projects are now complete, with one slightly over budget and the other two under budget. The net savings of \$9,100 were redirected to other infrastructure projects which were over budget.
- 34) The employee parking lot is now fully complete, with the majority of funding from the Gas Tax Reserve; all unused funds remain in this reserve.
- 35) This budget represents planned expenditures for replacement of Town vehicles at the end of their useful lives; funded through regular annual contributions to the Vehicle & Equipment Replacement Plan. Representing the majority of this budget, it was anticipated that the Town's street sweeper, which has reached the end of its useful life, would be replaced in late 2019, but this will now occur in 2020.
- 36) This purchase was initiated in 2019, with possession to occur in 2020. 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.
- 37) 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 involved repairing the original protective coating of the metal beams and supporting piles on the Washington State Ferry (WSF) dock which was failing in many places due to the exposure to waves and salt water, and corrosion was an issue. The project is now complete; all surface rust was removed and a new coat of protective paint was applied. Funding is from reserves, which are sustained mostly through the annual rents charged to WSF.
- 38) The Town's agreement with Washington State Ferries (WSF) also requires that the Town undertake capital works on the ferry terminal buildings. Upgrades to the U.S. and Canada Customs buildings are expected to occur over the next several years, beginning as early as 2020 for the US Customs building. Some of this work will be related to new requirements imposed under a preclearance agreement between the countries, which is in its final stages of approval. Staff are currently working on the design of the new US Customs Building with both WSF and US Customs and Border Protection staff. Additional information on this project will be brought forward separately once the planning has advanced to the required level.

- 39) Following completion of major capital works in the vicinity of Bevan Ave. and Seventh St., Town staff became aware that a historically problematic stretch of road, a 130 metre portion of Bevan south of Seventh Street, had deteriorated to an unacceptable state. This project finished under budget, with savings directed to other infrastructure projects over budget.
- 40) 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 was netted against savings on other infrastructure projects.
- 41) This project involves extending the sidewalk on McDonald Park Road from Henry to Mills Avenue on the West side of Sidney; it was postponed until future plans for the area are completed, including coordination with North Saanich.
- 42) Extended the sidewalk on Malaview Ave from Henry Ave to Mills Rd on the West side of Sidney; like #39, and other infrastructure works, the project is funded from reserves, and the savings will be re-directed to infrastructure projects that finish over budget.
- 43) Phase 1 of this Gas Tax funded project is now complete and involved resurfacing and rebuilding portions on the West Sidney highway bike trail; 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.
- 44) Replacement of storm main pipe on McDonald Park Rd, from Firelane#2 to Malaview Ave. This project has been re-budgeted and moved back to 2022.
- 45) A new sidewalk is to be constructed along Galaran Road, as recommended in the 2017 West Side Local Area Plan. 2019 actual costs are related to the work of relocating two community mailboxes and painting a white fog line to better define a shoulder for pedestrians. Based on consultation with area residents, actual sidewalk construction has been pushed back to 2023, to be completed along with the proposed road works.
- 46) In October 2018, the Town received a condition assessment report on the Beacon Wharf, with several short-term repairs recommended. These repairs are required in order to keep the existing Wharf safe and open to the public. Costs to-date represent the consulting work that was done to prepare the construction tender; the actual work commenced in 2020.
- 47) Part of a multi-year project, the installation of pedestrian-oriented information signage in the downtown core has been completed.
- 48) 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. In 2018, grading work and installation of fencing was completed. Additional grading and relocation of the Lochside Trail connection was completed in 2019. Additional work remains to be completed in 2020.
- 49) It has been determined that this portion of Ardwell Avenue will require a rebuild, not just a payment overlay. Costs to date reflect exploratory work; the project has been increased by \$100,000 and carried forward to 2020 for completion.
- 50) The Boulder Park project involved 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 some additional landscaping completed in 2019.

- 51) This project improved accessibility along an uneven and storm impacted section of the Town's waterfront walkway, stretching between the south end of Eastview Park and the access corridor to First Street. Some components of this project were completed in 2018, others such as the galvanized railing were completed in 2019. It was expected some repairs would be required to the retaining walls, but it was determined this part of the project was not required; unused funding will remain in reserves.
- 52) During construction of the Library sidewalk, staff discovered that the base under the existing, cracked sidewalks was virtually non-existent. As a result, the scope of the sidewalk repairs had to be increased to ensure a quality outcome, with a longer service life. Consequently, there was not enough budget remaining to complete the lighting improvements; staff performed less significant lighting upgrades and this is reflected in the actuals to budget.
- 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. The planned vehicle replacement in 2019 did not occur and has been carried forward to 2020. 2019 largely involved a reassessment of the fleet, and as a result, some of the anticipated replacements were deferred.
- 54) In September 2019, Council directed staff to retain and renovate the Reay Creek Dam in place, and engage a consultant to design and tender the renovation of the dam. The dam renovation will most likely be completed following Transport Canada's pond remediation in 2020. The 2019 expenses represented geotechnical & biological reports that were used to develop and deliver options to repair, replace or remove the Reay Creek Dam.
- 55) Modern irrigation systems were installed at Totem Park, Seaside Park and the Rose Garden to provide better coverage and use less water.
- 56) 2019 costs resulted from the reinstatement of landscaping following phase 1 of this project completed in 2018. Phase 2 of this project did not commence in 2019, as trenchless technologies are being investigated to minimize disruption to private property. Replacement of the Storm Sewer will be done in conjunction with the Sanitary Sewer (note #62) in the area.
- 57) This project involved replacement of the water main pipe on Epco Drive, from Weiler Avenue West to Ocean Avenue West in 2018. The costs realized in 2019 were related to landscape reinstatement. Costs to complete were less than budget, and savings went to other infrastructure projects that were over budget, or remained in the reserve.
- 58) Recent modelling has determined that these water main replacement projects are not necessary at this time; the replacements have been postponed to future years.
- 59) Replacement of the main pipe on Vallis Dr, from Bowerbank Rd to End. This project was initiated in 2019 with completion in 2020.
- 60) This is a multi-year project to replace outdated and failing water meters, to be funded from reserves.
- 61) This budget represents planned expenditures for replacement of Water Department vehicles and equipment at the end of their useful lives; funded through regular annual contributions to the Vehicle & Equipment Replacement Plan. The planned vehicle replacement in 2019 did not occur and has been carried forward to 2020.

62) Replacement of Sanitary Sewer work will performed in conjunction with Storm work in the area (refer to #56).

63) None of the budgeted pump station projects, which include pumps, motor controls and access hatch work, will happen until the condition assessment report for all pump stations is complete. The condition assessment will address all aspects of the pump stations, so it makes more sense to wait for this report and determine if other required work can be completed in conjunction with the currently budgeted work in 2020.

FINANCIAL IMPLICATIONS:

The 2019 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 partially offset by deficits in both the Water and Sewer Utilities, albeit both were smaller than expected. All the operating funds maintain year ending surplus balances that are above policy levels. Overall, the operating results have demonstrated that the Town is committed to sound financial management, and there are no areas of concern with 2019. However, it is anticipated that the 2020 results will undoubtedly be more challenging due to the COVID-19 Pandemic.

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:

Troy Restell
Manager of Finance

Andrew Hicik
Director of Corp. Svcs.

Randy Humble
Chief Administrative Officer

SCHEDULE A

TITLE:			
SURPLUS MONIES			
Origin:	Finance		
Adopted:	Council – October 27, 2003	#2003.38.807	Ref: FN-012
Amended:			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

	2019 YTD Actual	2019 Budget	YTD Variance	% of Budget	Note #
GENERAL OPERATING					
GENERAL REVENUE					
Taxation, Interest & Gov't Transfers	\$ (14,216,392)	\$ (13,562,149)	\$ 654,243	105%	1
	(14,216,392)	(13,562,149)	654,243	105%	
CORPORATE SERVICES					
Council	211,139	211,258	120	100%	
Committees	4,000	5,000	1,000	80%	
	215,139	216,258	1,120	99%	
GENERAL ADMINISTRATION					
Administrative Services	621,595	621,200	(395)	100%	
Financial Services	685,309	687,936	2,627	100%	
Driver Services	(103,042)	(86,500)	16,542	119%	
Common Services	147,635	146,329	(1,306)	101%	
Computer Services	479,908	519,550	39,642	92%	
Other	(224,857)	(212,532)	12,325	106%	
	1,606,549	1,675,983	69,434	96%	2
ELECTIONS					
Elections & Referendum	5,197	5,000	(197)	104%	
	5,197	5,000	(197)	104%	
PROTECTIVE SERVICES					
Police Protections	2,348,869	2,456,929	108,060	96%	3
Court House	32,891	33,789	898	97%	
Fire Protection	1,408,486	1,411,336	2,850	100%	
Emergency Measures	40,683	42,500	1,817	96%	
Bldg Insepction/Bylaw Enforcement	(37,380)	(1,800)	35,580	2077%	4
	3,793,549	3,942,754	149,205	96%	
TRANSPORTATION					
Common Services	1,112,930	1,099,993	(12,937)	101%	
Roads	807,538	825,751	18,213	98%	5
Bus Shelters	(3,750)	5,692	9,442	-66%	6
Parking Lots	(41,838)	(25,771)	16,067	162%	7
Dock & Port Facilities	(263,545)	(244,037)	19,508	108%	8
Storm Drains	155,192	218,103	62,911	71%	9
Hydrants	34,436	38,690	4,254	89%	
	1,800,963	1,918,421	117,458	94%	
ENVIRONMENTAL HEALTH					
Solid Waste & Environmental Programs	208,798	187,035	(21,763)	112%	10
	208,798	187,035	(21,763)	112%	
DEVELOPMENT SERVICES					
Municipal Planning	529,936	533,700	3,764	99%	
	529,936	533,700	3,764	99%	

RECREATION & CULTURE

Parks	1,293,188	1,290,949	(2,239)	100%	11
Library	(12,456)	(6,200)	6,256	201%	12
Senior's Centre	113,431	117,250	3,819	97%	
Museums	123,470	125,938	2,468	98%	
	1,517,633	1,527,937	10,304	99%	

FISCAL SERVICES

Internal Transfers to Reserves & Other Accounts	11,964,871	11,244,226	(720,645)	106%	
Debt Servicing	512,593	537,487	24,894	95%	
Other	(9,103,698)	(8,918,500)	185,198	102%	
Community Support	693,398	691,848	(1,550)	100%	
	4,067,164	3,555,061	(512,103)	114%	13

General (Surplus) / Deficit

\$ (471,463)	\$ -	\$ 471,463
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WATER UTILITY

General Revenue	\$ (2,031,012)	\$ (2,155,636)	\$ (124,624)	94%	14
Administration	1,596,006	1,599,854	3,848	100%	
Training	5,250	16,571	11,321	32%	
Operations	214,832	239,411	24,579	90%	15
Internal Transfers to Reserves & Other Accounts	299,800	299,800	-	100%	
Water (Surplus) / Deficit	\$ 84,876	\$ -	\$ (84,876)		16

SEWER UTILITY

General Revenue	\$ (2,218,043)	\$ (2,354,289)	\$ (136,246)	94%	17
Administration	168,212	181,959	13,747	92%	
Training	5,223	16,657	11,434	31%	
Operations	1,704,392	1,789,073	84,681	95%	18
Internal Transfers to Reserves & Other Accounts	366,600	366,600	-	100%	
Sewer (Surplus) / Deficit	\$ 26,384	\$ -	\$ (26,384)		19

Total Operating (Surplus) / Deficit

\$ (360,203)	\$ -	\$ 360,203
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	2019 YTD Actual	2019 Budget	YTD Variance	% of Budget
GENERAL CAPITAL				
PEARL - Software Enhancements	\$ 4,815	\$ 10,000	\$ 5,185	48%
PEARL - Asset Performance Module		9,000	9,000	0%
Workspace Efficiency Upgrades - Town Hall	2,229	5,000	2,771	45%
Computer Replacement Plan	73,248	180,000	106,752	41% 20
Computer Equipment		5,000	5,000	0%
Council Chamber Upgrades	6,236	5,000	(1,236)	125%
Removal of Power Mounted Transformer at Fire Hall Lands	27,090	27,090		100% 21
Tempest - Prospero Mobile Insp	10,479	12,000	1,521	87% 22
Tempest - Our City		12,500	12,500	0% 23
Tempest - Conversion to .NET	10,272	10,320	48	100% 24
RCMP Furnishings	4,873	10,000	5,127	49%
RCMP Kitchen Upgrades		15,000	15,000	0%
RCMP Boiler Replacement	176,687	170,000	(6,687)	104% 25
Community Safety Bldg	5,313,335	4,825,000	(488,335)	110% 26
CSB Access Easement	80,000	80,000		100% 27
RCMP General Duty Section Reorganization	10,894	13,400	2,506	81% 28
RCMP Staff Entry Door		30,000	30,000	0%
Fire Department Small Equipment	26,546	31,750	5,204	84% 29
Fire Dept. Vehicles - Fire Engine Squad 1	203,283	200,000	(3,283)	102% 30
Engineering Equipment	700	4,500	3,800	16%
Public Works Equipment		10,000	10,000	0%
Pathway - Eight Street to Beavan Avenue	47,754	70,000	22,246	68% 31
Third & Sidney Underground Wiring	63,500	1,253,262	1,189,762	5% 32
Infra Paving - Epcow-Weiler to Ocean	138,589	134,600	(3,989)	103% 33
Infra Paving - Redwing to Brethour Park		5,000	5,000	0%
Infra Paving - Seventh St to Beacon	58,889	69,200	10,311	85% 33
Infra Paving - 8th St, Oakville to Orchard	52,220	55,000	2,780	95% 33
Green Tech Projects	8,182	10,000	1,818	82%
Fifth Street Underground Wiring	5,316	12,000	6,684	44%
Downtown Employee Parking Lot	354,477	450,000	95,523	79% 34
Bus Stop Improvements		5,600	5,600	0%
Transportation Vehicles		370,000	370,000	0% 35
Wheel Loader		160,000	160,000	0% 36
Hydro Box Revitalization	13,803	17,275	3,472	80%
Underground Wiring	180	20,000	19,820	1%
Ferry Terminal Dock Metal Painting	355,814	360,000	4,186	99% 37
Ferry Terminal Bldg Improvements	5,260	100,000	94,740	5% 38
Infra Paving - Bevan - 7th to 130m South	227,355	254,800	27,445	89% 39
Resthaven Curb Returns	31,782	20,000	(11,782)	159% 40
Decorative Street Lighting	10,078	30,000	19,922	34%
White Birch Rd Cul de Sac Improvements		60,000	60,000	0%
McDonald Park Road Sidewalk		132,100	132,100	0% 41
Malaview Ave Sidewalk	69,118	79,500	10,382	87% 42
Bike Path West Side of Highway	271,864	280,000	8,136	97% 43
White Birch Storm Drain		20,000	20,000	0%
Infra Storm - Third St, Ocean to Orchard	367	3,500	3,133	10%
Infra Storm - McDonald Park, Firelane #2 to Malaview	3,496	81,400	77,904	4% 44
Galaran Sidewalk	6,601	343,500	336,899	2% 45
Beacon Wharf Repairs	18,227	150,000	131,773	12% 46
Workspace Efficiency Upgrades - Public Works		3,000	3,000	0%
Wayfinding Signage	9,529	27,000	17,471	35% 47

	2019 YTD Actual	2019 Budget	YTD Variance	% of Budget
GENERAL CAPITAL				
Skatepark Seating	3,908	20,000	16,092	20%
PW Compound Extension/Fencing	69,221	85,000	15,779	81% 48
Shop Hoist	20,080	20,000	(80)	100%
Infra Paving - Ardwell Overlay	4,133	50,000	45,867	8% 49
DCC Bylaw		10,000	10,000	0%
Parks Equipment	11,639	10,000	(1,639)	116%
Boulder Park	2,054	19,300	17,246	11% 50
Waterfront Walkway Upgrade	6,587	28,700	22,113	23% 51
Library Entrance Sidewalk	26,865	35,000	8,135	77% 52
Solar Lights - Maryland Park		10,000	10,000	0%
Nell Horth Room HVAC	12,704	14,000	1,296	91%
Senior Centre Washer & Dryer	5,014	5,000	(14)	100%
Senior Centre Shower	7,320	7,000	(320)	105%
Parks Vehicle		30,000	30,000	0% 53
Reay Creek Dam	33,761	600,000	566,239	6% 54
Melville Park Path Resurfacing		20,000	20,000	0%
Irrigation Upgrades	37,616	36,800	(816)	102% 55
Rotary Park Irrigation Replace		30,000	30,000	0%
Shoal Centre Flooring	24,561	25,700	1,139	96%
Infra Storm - Ardwell Ave	145,145	550,000	404,855	26% 56
Infra Storm - Stirling Way		18,600	18,600	0%
Water Fountain Stations Downtown	2,275	6,800	4,525	33%
Total General	8,115,967	11,874,197	3,758,230	68%
WATER CAPITAL				
Hydrant Upgrade	\$ 11,415	\$ 10,000	\$ (1,415)	114%
Infra - Epco Drive - Weiler to Ocean	4,019	15,000	10,981	27% 57
Water Equipment		10,000	10,000	0%
Infra - Henry Ave, 4th to 3rd		74,800	74,800	0% 58
Infra - Oakville-6th to 5th		54,400	54,400	0% 58
Infra - Vallis Pl-Bowerbank to End	14,333	54,400	40,067	26% 59
White Birch Loop Watermain and Fire Road	3,223	5,000	1,777	64%
Meter Replacement Program	73,140	100,000	26,860	73% 60
Water Vehicles		30,000	30,000	0% 61
Total Water	106,129	353,600	247,471	30%
SEWER CAPITAL				
Ardwell Ave. Sanitary Sewer	\$ 1,000	\$ 400,000	\$ 399,000	0% 62
Infra - Harbour Pump Station		63,600	63,600	0% 63
Town Hall Service Connections	9,366	50,000	40,634	19%
Sewer Pump Station Condition Assessment	7,917	100,000	92,083	8% 63
Infra - Rothesay Pump Station		61,800	61,800	0% 63
Sewer Equipment	3,210	10,000	6,790	32%
Access Hatches - Pump Stations		40,000	40,000	0% 63
Total Sewer	21,493	725,400	703,907	59%
Total Capital	\$ 8,243,590	\$ 12,953,197	\$ 4,709,607	64%