



TOWN OF SIDNEY

REPORT TO COUNCIL

TO: Mayor & Council

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

DATE: August 4, 2020 **FILE NO.:** 1700-20 - Quarterly Financial Reports

SUBJECT: BUDGET VARIANCE REPORT – FIRST HALF OF 2020

PURPOSE:

To update Council on the financial results for the first half of the 2020 fiscal year.

DISCUSSION:

Attached is a copy of the Budget Variance Report, covering approximately the first half of 2020. As per Council Policy FN-008, this is the first of three regular financial reports to be brought forward to Council. A similar report will follow after the three-quarter mark of the year. The year-end report is presented following each year's audit, along with the financial statements.

Year to date results for both revenues and expenses are presented up to the date of this report, rather than just to the 6-month mark, in order to present the most up to date information on financial results. The Operating results are presented on a net basis; that is, revenues and expenses have been combined and presented as a single amount. A one-sided or misleading view of financial results can result when revenues and expenses are presented separately, whereas results presented on a net basis are more complete. The Capital results are presented on an expenditure basis (i.e. actual expenditures vs budget).

This is a unique year for the Town. The onset of the COVID-19 pandemic, in early March, forced us to close many Town services to the public on March 16th, with restricted access to the Town Hall and Driver Services operations resuming on June 8th. While the ultimate impact of COVID cannot be reliably estimated at this time. Despite the interruptions, expenses are mostly following budget and historical trends, while some expenses and revenues have been affected due to the closure and modified property tax penalty extensions.

Included in the Emergency Measures function under Protective Services is currently \$324,000 of COVID related expenses. The majority of these expenses have been pre-approved for reimbursement from Emergency Management BC (EMBC), and any expenses that will not be reimbursed will fall under the additional \$50,000 of funding approved by Council for non-reimbursable COVID related costs to be funded from prior year surplus. Staff have submitted the first claim to EMBC for the months of March and

April, totaling approximately \$100,000, and will soon be submitting another claim to include expenses from May to July. The EOC has been very diligent in getting pre-approval for expenses beforehand, so it is expected that the majority of claimed expenses will be reimbursed.

More detailed comments follow below, with note numbers corresponding to the attached report. 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 there is budget remaining. A negative number indicates that the budget has been exceeded, or in the case of net revenues, that revenue remains to be realized.

As not all revenues and expenditures follow a regular monthly pattern throughout the year, caution should be taken in interpreting the “% of Budget” column, which has been provided as a rough indicator of results to date. About 55% of Personnel costs should have been realized to the date of this report, and many other types of expenses are presented up to July 31; this has an impact on certain cost centres, and will cause the anticipated 50% in this semi-annual report to be exceeded.

General Operating Fund

1. General Revenue is at 98% of budget mostly due to property taxes, grants-in-lieu, the Provincial Small Community Protection and Traffic Fine Revenue Sharing transfers, and the Federal Gas Tax funding all being recognized in the first half of the year; these amounts represent the majority of this budget. Although all 2020 Municipal Property Taxes are recognized as revenue when the tax notices are generated, the actual collections of property tax dollars is currently at 88%. Typically at this time of the year, collections are in the 96% range; however, the lower collection rates reflect the property tax penalty date extension to provide COVID relief. The amounts collected to-date are better than expected, and it is anticipated that historical collection levels will be reached by October 1, which is the extended commercial property penalty date.

As part of the Federal Government’s measures to assist Local Governments with potential cash flow issues due to COVID, this year’s Gas Tax Funding allocation was received as a single payment in June. This means the Town has received its full allocation for the year under in one payment of \$546,000, rather than the usual 50% payments in June and November.

Also of note, investment revenues are at 55% of budget, and on track to meet budgeted expectations; this is positive considering the current environment of low investment returns, the slight collection delays due to the extension of deadlines, and the use of internal funds for cash flow purposes for the first half of the year.

2. Driver Services is a cost recovery centre that is budgeted to realize annual net revenues, as opposed to net expenses. While expenses are mostly tracking budget, revenues are below normal levels due to the COVID closure. The Driver Services office was closed to the public for 12 weeks, with only ICBC insurance transactions being conducted by telephone during this period. Although the full extent of this closure on revenues is not know at this time – especially since higher than normal levels of revenues have occurred since reopening to the public on June 8th – we will

have a better idea of results at the 3rd quarter mark. As of the date of this report, ICBC insurance and driver licencing revenues have been paid to the end of June, and stand at 43% of budget.

3. The Town's liability insurance policy for 2020, totaling 66% of the total budget, has been paid in full. As such, this distorts the net results at the 6-month mark, but other expenses overall are tracking budget and annual results are expected to meet budget.
4. Most of the annual software maintenance, support and licencing agreements are paid early in the year and have been offset with lower than expected contracted services; overall results for the year should be near budget.
5. Other is mostly comprised of an internal cost recovery function, where administrative wage costs are allocated to the Garbage, Water and Sewer utilities; year-end results will be on budget. This function also includes the Town Hall budgets for building and grounds maintenance and repairs; these are both currently tracking below budget. It is anticipated that these budgets will be exceeded at year end with the installation of COVID distancing and safety barriers in the Town Hall that are not eligible for reimbursement by EMBC.
6. The Elections budget represents an annual transfer to reserves to even out election costs over the 4-year term. The transfer for the year has been completed.
7. RCMP contract costs to date represent the first two quarters of the year. Currently, we are projecting some minor annual savings in RCMP contract costs due to temporary vacancies, though the savings are projected to be lower than average.
8. This function represents the expenses to operate and maintain the Court House building and surrounding grounds that house the courtroom, supplementary RCMP offices, and the Town's Driver Services office. These expenses are partially offset by the RCMP cost-sharing provisions, and fees from the Province to rent the courtroom. The courtroom has only once been rented in early 2020 as a result of COVID; the Province has suspended all future court dates until further notice, so this will have a minor impact on revenues.
9. This function is normally comprised of the Peninsula Emergency Measures Organization (PEMO) and the Town's emergency management planning. The budget includes \$27,500 to be invoiced near year-end for the Town's annual contribution to PEMO and \$22,500 for emergency planning. As mentioned above, this year the function is also capturing approximately \$324,000 of COVID expenses that will be submitted for reimbursement. While it is expected that the majority of expenses will be reimbursed, and this function will be close to budget at year end, the recoveries will only be reflected once they are received.
10. Building Inspection and Bylaw Enforcement, which, in a typical year, is more or less a break even function, includes several activities, including Building Inspection, Animal Control, Business Licencing and Parking Enforcement. Building Permit revenues are at 228% of the annual budget, due to several large developments underway in the downtown core; this is responsible for the significant net revenue position at the 6-

month mark. Also, business and dog licence revenues, which are collected in the first half of the year, have contributed to the net revenue position. Most other revenues and expenses are tracking budget. If building activity continues at a strong pace, as expected, this function will see a surplus for the year, even after the deferral of a significant amount of “unearned” Building Permit fees at year-end.

The one area of concern is Bylaw Enforcement, where COVID has been responsible for a significant volume increase in activity for the Bylaw Enforcement Officer. Additional overtime will continue to be accrued due to the required safety inspections and guidance to the business community as they reopen according to the Province’s Restart Plan. Not all of the impacts will be financial; the additional focus on COVID-related duties prevents the Officer from attending to his regular duties. This not only means that other bylaw related initiatives are delayed, but that other staff members are taking on more bylaw complaint calls and responses.

11. This function is slightly over budget due to Public Works staff performing more COVID related work (i.e. Public washroom cleaning) which is coded to this budget. However, the Transportation function overall is operating within budgeted expectations.
12. Roads is currently at only 42% of budget; net results are below budget due to greater than anticipated Right of Way revenues (fees charged to developments for loss of Town parking spots or encroaching on sidewalks), deferral of some preventative road maintenance to later in the year, and minimal repairs to Town infrastructure from winter storm damage.
13. Parking lot permit revenue is at 30% of budget to the end of June, while repairs and maintenance are also tracking lower than budget. The lower revenue can be directly linked to COVID and a reduction in the purchase of monthly parking permits. Furthermore, it was expected that parking permit revenue would level off with completion of the new employee parking lot and sale of the Town’s Third Street parking lot; full year net revenues are expected to come in below expectations.
14. Most revenues in this function are collected early in the year, including the recovery of Crown licence fees from Port Sidney, and annual rent due from Washington State Ferries. Like other functions that collect the majority of revenues in the first half of the year, this tends to distort the net results at the half way point. It is expected that full year results will meet budget.
15. The Storm Drains function is under budget, as work in this function is predominantly performed in the Fall months. Repairs to the 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.
16. “Other” includes mainly Third Party expenses, which are Town costs associated with third party events, and infrastructure works related to particular developments or activities. The year-to-date variance represents a timing difference between the incurred expenses and the recovery of those expenses. By year end, there will be full recovery for most items, and a net balance of close to zero.

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17. Within Environmental Health is the Solid Waste Disposal function, which represents the expenses incurred by the Town for garbage collection and the offsetting revenues collected through the garbage levy billed on the quarterly Utility Statement. All revenues and expenses are on track, and it is expected that full year results will be close to the budgeted \$11,660 surplus. This surplus will be transferred to the Garbage Utility reserve, with the transfer occurring at year end. This year's surplus is part of a plan to ensure garbage collection rates for residents and businesses remain unchanged for the duration of the Town's five-year contract (2019-23) with its garbage collection service provider. The contract includes cost increases to the Town in each year, so the budgeted surpluses in the first couple of years will offset expected deficits in the latter years, thus allowing user rates to remain constant throughout the contract.
 18. Municipal Planning appears to be on track and it is expected that year end results will meet budget, and funding for any projects (i.e. OCP review) that are not complete at year end will carry forward to the next year.
 19. Much of the Parks budget is seasonal, with the bulk of expenses occurring during the spring and summer months. Some activities within the function are slightly under budget, while others are slightly over budget; but overall expenses are tracking budget and no variance is expected at year end. Some savings are expected through the cancellation of many community events for the year due to COVID. These savings will help to offset some of the COVID related overages in other functions.
 20. The Senior's Centre and Museums budgets are above 50%, but this is a factor of having paid strata fees and contractual obligations for both functions to the end of August.
 21. This function represents mostly the annual transfers to internal reserves, which have been completed. Transfers of note include \$1,147,400 to the infrastructure replacement reserve, \$375,000 to the vehicle, computer and equipment replacement reserves, and \$222,000 to the Ferry Terminal reserve (\$172,000 direct transfer of lease payment received from Washington State Ferries and \$50,000 of Town funds). Remaining in this function is the year-end budgeted transfer of up to \$198,424 to fund capital projects from taxation revenue, as well as an estimated \$813,135 of transfers to other reserves, less \$926,038 of funding from prior year surplus (including \$548,857 for COVID tax reduction measures).

It is unknown at this point how much of the prior year surplus funding will be required at year end to balance the budget. While the "base level" of surplus funding is not expected to be required, some of the additional surplus that was used to offset commercial tax revenues will likely be needed.

22. The 'Other' function mostly represents a contingency budget that is largely unspent. Additionally, the Town has realized a cumulative accounting gain-to-date of \$12,700 from the sale of Town owned vehicles and equipment that have reached the end of their useful lives. These sorts of accounting gains tend to distort the financial results to date, and will be identified separately as required. While "gains" such as this must flow through the Town's books, they are not technically part of the Operating budget.

23. This function delivers local grants to the community and funding for the Visitor Information Centre and other economic development initiatives. Distribution of grants-in-aid, and the majority of grant funding to the Shaw Centre for the Salish Sea are complete, while further funding remains to the Mary Winspear Centre.

Water and Sewer Utilities

24. Annual Water parcel taxes of \$396,000 were collected in the first half of the year, on the property tax notice, making revenues-to-date appear slightly higher than one may expect. Water User fees collected are at 46% of budget, with the last two quarters usually producing more of the total annual revenues.

25. Water Operations are currently at -51% of budget mostly notably due to the revenue collected for new water service connections and meters exceeding expenses by \$256,700 during the first half of the year; this represents a timing difference between collecting the upfront fees and incurring the actual expenses. As well, there has been a deferral of some annual maintenance to the second half of the year. At year end, there will be a full allocation of expenses for most new service connections and meters, and a net balance of close to zero for these recoverable services should result.

26. Annual transfers to internal Water and Sewer reserves for asset renewal are complete, with year-end budgeted transfers to capital projects of up to \$11,415 remaining for Water and \$54,315 for Sewer.

27. The Water Utility currently indicates a surplus of just under \$187,000, but this due to the timing difference of revenues and expenses indicated in the notes above. In fact, an annual deficit of \$153,278 has been budgeted to ensure user rates remain unchanged, despite regular increases in bulk water costs over the past several years. It is important to note that at the end of 2019, the Water Utility still maintained an accumulated surplus balance from prior years' operations; this will be drawn upon in the amount of the actual deficit realized at year end. The Water fund also has a secondary subset of surplus, with a Water Stabilization reserve balance of \$104,500, which may be used to supplement any temporary shortage in surplus until rate adjustments are completed, to safeguard the long-term balance of the Water fund.

28. Like the Water Utility, annual Sewer parcel taxes of \$560,000 were collected in the first half of the year, on the property tax notice, making revenues-to-date appear high. Sewer User fees collected are at 48% of budget, with full year results expected to be close to budget.

A review of both the Water and Sewer Utility rate structures this year will provide vital information in future rate setting. It will take into account recent trends, as well as existing and forecasted levels of infrastructure renewal in both the Water and Sewer Utility funds.

29. Sewer Operations are currently at 88% of budget, as the \$1.4 million payment to the CRD for the Town's share of the Saanich Peninsula Wastewater Treatment Plant is included in year-to-date results.

30. The Sewer Utility indicates a deficit of just over \$639,000, which is largely due to the timing of various revenues and expenses, as discussed above. A deficit of \$126,200 has been budgeted to ensure user rates remain unchanged, and this is possible due to a healthy accumulated Sewer surplus. It is expected that budgeted results will be achieved in the Sewer Utility at fiscal year-end.

Capital Expenditures

Only a handful of Capital projects have been completed as of the date of this report; as such, several capital projects will see significant expenditures over the remainder of this year. Still others will likely be carried forward for completion in 2020. Much of the emphasis in the first half of the year has been on the Town Hall and RCMP roof replacement projects, underground hydro wiring on Third and Fifth Streets, Beacon Wharf repairs and various infrastructure replacement projects. Comments on certain specific capital projects follow below. More complete information will be available for the next quarterly report.

31. This project involves replacement of the Town Hall's roof and HVAC systems. The project is now complete, with costs still to come in; the project is expected to be under budget.

32. The Computer Replacement Plan is an annual program to replace existing computer equipment. The expenditures of this program are funded from reserves, which are funded from 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.

33. These two related projects entail replacement of the RCMP roof and HVAC systems. Both projects are underway and expected to be completed within the overall budgets.

34. This is a recently approved budget amendment, to be funded from the deferral of the RCMP Windows and Garage Door projects, as well as savings from the completed RCMP Staff Door Entry project. The Town's portion of the project is \$26,329; North Saanich and the Province will pay the remainder, upon approval of these changes in projects. If for some reason one of the funding partners does not agree to these changes, the project will be brought forward as part of the 2021 Financial Plan.

35. 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 (ending 2022), were negotiated as compensation.

36. This ongoing annual program is to replace Fire Department equipment, including hoses and hose appliances, firefighter turnout gear and other specified equipment. The equipment being replaced has reached the end of its useful life; the majority of expenditures occur closer to year end.

37. Relocation of overhead utility wiring to underground, in conjunction with three specific development projects in the vicinity of Third Street and Sidney Avenue. The

developers and BC Hydro are paying for the majority of this project. The Town's share for this project will be roughly \$139,000, to be funded from the Amenity Reserve.

38. This project was completed within budget and included replacement of curb and gutter, sidewalk, and paving on Griffith Road, from Harbour Road to the end; costs are forthcoming.
39. This in-progress project includes curb and gutter replacement, and paving on Vallis Place, from Bowerbank to the end.
40. Both paving projects have been awarded and will commence in the coming months.
41. The replacement of sidewalk on Third St, from Mt. Baker to Henry Ave; the paving component of the project is finished, with some landscaping reinstatement remaining. Funded from reserves, any savings will be re-directed to infrastructure projects that may come in over budget.
42. Replacement of sidewalk on Brethourpark Way; although the scope of replacement did increase, the project was completed close to budget.
43. Currently in the design phase, includes installation of new curb and sidewalk on the north side of Ocean Avenue from Fifth to First Streets.
44. In progress, this project involves removal of a hydro pole at the corner of 5th and Bevan, and placement of hydro lines underground. The Town's share of this project is \$200,000, funded from Amenity Reserves.
45. 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, the Town's street sweeper has reached the end of its useful life and is expected to be replaced this year.
46. In the design phase and expected to commence this year, this project involves replacement of storm main pipe on Allbay Road.
47. The metal beams and piles supporting the Fishing Pier were inspected in 2014 and found to be lacking the original protective coating in many places. With the exposure to waves and salt water, corrosion is a concern. This project is to remove surface rust and apply new coat of protective paint to extend the life of the asset. In the process of receiving quotes for the design phase of this Gas Tax funded project, work is now expected to commence in 2021.
48. These budgets represent the design phase costs of storm drain replacement projects that will commence in 2021.
49. 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 it is replacing. This purchase was initiated in 2019, with possession to occur in 2020.

50. Purchase of survey equipment meant to improve in-house survey efficiency; funded through the Municipal Finance Authority's equipment financing program over a five year term.
51. As part of the 2020 budget, replacement of the Fourth Street Washroom and installation of a Portland Loo were both approved. The Fourth Street replacement is going ahead, but pursuant to an update at the July 20th Council meeting, Council directed staff not to proceed with the Portland Loo option until a suitable location is found. Direction was also given to proactively pursue the possibility of negotiating the establishment of public washrooms within appropriate building locations in Sidney.
52. The Town's agreement with Washington State Ferries (WSF) requires that the Town undertake all capital works relating to the ferry terminal facilities. Upgrades to the U.S. and Canada Customs buildings are expected to occur over the next several years. Design work on replacement of the US Customs building is ongoing, according to specifications outlined in a cross-border preclearance agreement between the countries. Physical construction is highly unlikely to proceed until we have additional clarity around the impacts of COVID-19 on international travel.
53. Design phase to occur this year, with construction to follow in 2021, project improvements include a sidewalk, fencing and boulevard trees on the west side of Eighth Street in front of the Works Yard, and a crosswalk between Iroquois Park and Eighth Street.
54. Concept & detailed designs for bike lanes on Resthaven Drive from McDonald Park Road to Beacon Avenue; this will include community engagement with construction to follow. Design and consultation were scheduled for this year, with construction in 2021. However, this is one capital project that will likely be impacted by COVID. While it is not firmly established that it will not commence this year, it is highly unlikely that construction would occur next year. Once we are ready to proceed, partial funding through an Active Transportation grant is likely.
55. Phase 1 of this Gas Tax funded project was completed in 2019 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. The 2020 budget is related to phase 2 design costs, with construction to commence in 2021.

Similar to the preceding project, this also may be delayed due to COVID. Additional staff time is required prior to contracting out the design of both projects. Again, there is a possibility that design work will start late in the year, but a 2021 construction timeline is ambitious.

56. Replacement of sidewalk and removal of pine trees along north side of Bevan Avenue (behind Save On Foods) has been completed; still remaining is planting of new trees and other landscaping.

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57. 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. The work is nearing completion and expected to be within budget.
58. 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. Clearing of the site was completed last year, followed by fencing of the site and relocation of the Lochside Trail connection. Some of the remaining work will be completed this year, but some may occur in 2021 in conjunction with the Eight Street Sidewalk Replacement project (note #53).
59. Due to increased traffic, a section of Ardwell Avenue, which was originally budgeted for an overlay of paving in 2019, was later determined to need a rebuild. The project was carried forward to 2020 with an increased budget. The project is now complete, with additional costs still to come in.
60. 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. Many of the planned vehicle replacements for 2019 did not occur and were carried forward to 2020.
61. 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. As per a recent staff report, the dam renovation is expected to be completed in conjunction with Transport Canada's pond remediation this summer. A contract for the work has been awarded on a time and materials basis. We are now awaiting final approvals from Federal and Provincial authorities for the work to commence.
62. Phased redevelopment of Rathdown Park was identified in Parks Master Plan and subsequent conceptual designs. In 2020, the work will feature drainage design and installation, as well as playground design and installation. The final phase in 2023 will be the installation of a sports court. A contract for the playground replacement was recently awarded.
63. This project involves raising the grade at the Tulista Park sidewalk to prevent winter flooding and also to widen it to 3 metres to better allow for multiple users (pedestrians, scooters, skateboards, BMX bikes). The design phase of the project is nearing completion, with tendering of the project to occur in the coming months; however, the actual work may not commence until 2021.
64. With phase I of this project completed in 2019, phase II will use trenchless technology to minimize disruption to private property. Tendering of the project will hopefully occur in the coming months; the actual work may not commence until 2021. Replacement of Sanitary Storm will be done in conjunction with Sewer work (note #69). This is another project that was impacted by COVID, as the specialized consultant we are using for design and tender services was unable to come over from the mainland.

65. This design work will determine the best option to replace the existing watermain along Lochside Drive; construction was to follow in 2021. This new watermain would be hardened to withstand seismic activity, and be an emergency water source to the east side of Sidney. In addition to the emergency planning aspect, the existing watermain on Lochside has a history of breaks and requires replacement.

Prior to the design commencing, an Emergency Water Supply Study is to occur to confirm that the proposed direction is the best one to take. Staff expect to commission this study in the coming months, but the timing delays will likely impact the design and subsequent construction by a year.

66. In progress, replacement of watermain pipe on Oakville Ave, from Sixth St. to Fifth St.

67. Completed; replacement of watermain pipe on Vallis Drive, from Bowerbank Rd to the end. Funded from reserves, savings will be redirected to any other water infrastructure projects that finish over budget, or kept in the reserve.

68. 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; any unused funds will remain in reserve for future phases of this project. The recent decision by Council regarding the metering of multi-family buildings will be factored into future plans.

69. Replacement of Sewer will be performed in conjunction with Storm work in the area (refer to #64).

70. 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. It is expected that the pump station work will flow into 2021.

71. Staff have continued working with the CRD on options for this project, and have concluded that entering into a contract with CRD for the upgrade and maintenance of the SCADA system makes more sense than the Town going with its own system. Some upgrades at Town cost may be undertaken from this budget, but the ongoing maintenance contract will be a future year budget item.

72. Design work for these sewer replacement projects is expected to be completed in 2020 with construction to follow in 2021.

73. This budget represents planned expenditures for replacement of Town Parks 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, the Town's hydro excavator has reached the end of its useful life and is expected to be replaced this year.

FINANCIAL IMPLICATIONS:

While a few capital projects have been completed, and year-to-date expenditures are mostly in line with budget, there are still many projects, particularly infrastructure projects, which are in progress or will commence in the second half of the year. Several large project may be deferred to next year. The next quarterly report, which will be distributed near the end of October, will provide a better indication of expected year-end results.

There are no areas of major concern at this time. Currently, it is anticipated that the \$350,000 in Surplus funding that was used to balance the budget – and minimize the tax increase – is not likely to be drawn upon. However, an additional \$550,000 was drawn from Surplus to offset the reductions in tax revenues due to COVID, and \$50,000 more was earmarked for non-recoverable EOC costs. It is very likely that a large portion of these additional Surplus funds will be required to balance the year-end results, but the exact magnitude cannot be reliably estimated. We may have a better estimate by the next quarterly report.

COVID-19 Impacts

Despite the significant interruptions and additional demands caused by COVID, staff have managed to pivot quickly to the new conditions, and keep the work plans relatively on track. Council can be extremely proud of the resiliency, flexibility and diligence of our staff, as they have taken on additional duties without a significant impact on our work plans and service levels. That's not to say that additional demands have not been significant; just that we have managed to keep most of our work moving along. Additional details on the operational impacts of COVID on workflow will be brought forward separately.

While some projects and initiatives have been delayed, none are being recommended for cancellation at this time. Many of the impacted projects have been discussed above. A concise list is itemized below, along with additional notes on pandemic impacts on work flow. Please note that even in a typical year, not all projects are expected to be completed. It is quite typical for a project budgeted for a particular year to flow across two years. As a result, it is not possible to definitively identify what is a COVID-related impact versus a more traditional workflow issue or other factor that may delay our projects.

Capital Projects

The 2020/2021 projects that may or will be delayed are as follows:

- Bevan Fishing Pier Metal Painting
- Resthaven Bike Lanes
- Bike Path West of Highway
- Patricia Place Storm & Sanitary Sewer
- Lochside Watermain
- Ferry Terminal Building Improvements.

Supplemental Items and Operating Initiatives

- Civic Site Analysis – may be initiated, but will continue into 2021/22
- Beacon Wharf Replacement Options – will commence following initial meetings of Select Committee, which have been delayed but will occur within the next 2 months.
- Beacon Avenue West Traffic Study – while the contract was recently awarded, and the work will be completed this year, this took longer than expected due to the sheer volume of bids received that had to be evaluated.
- Parks Planning – additional capital planning to develop specific projects following on from the completion of the Parks Master Plan.

Watch List

Some of the COVID-related budget concerns that will be monitored throughout the rest of this year include:

- Property tax collection rates (for cash flow impacts and future budget planning)
- Driver Services revenues
- Building Permit revenues, and the amount to be deferred
- Bylaw Enforcement costs
- EOC expense recoveries
- Additional cleaning, disinfecting, inspection and public safety duties
- New impacts on capital project planning and completion.

Impacts on Future Year Projects

Some of the delays in 2020 capital projects will clearly require additional effort in 2021, as we look to complete what has been started. This will have a cumulative effect going forward, as the additional workload will impact capacity for each subsequent year. No specific projects are identified for cancellation or deferral at this time; however, the list of projects will be reviewed following Strategic Planning, and prior to the next 5-year Financial Plan, as is customary on an annual basis.

The important message at this time is that our work plans tend to be extremely ambitious on an ongoing basis, and it is simply not possible to keep adding to them without deferring some of what is in our current plans.

Why are we not cancelling projects in our budget to save money?

Pursuant to previous comments about “looking at our expenditure side”, there may be some expectations that the Town would economize by cancelling some of our projects. This is a legitimate questions, but there may not be the expected reduction in the future tax burden in doing this.

Council is aware that most of our capital projects are funded through non-tax sources (i.e. reserves). Only about \$200,000 in 2020 capital is funded from property taxes. Since most of this relates to annual or recurring projects, there would be little impact in cancelling the remainder, some of which align with Council priorities.

While there may be longer-term tax savings in the cancellation of reserve-funded projects – through a reduction in the amount we need to set aside for future use – much of what we do consists of critical infrastructure replacement and upgrades. Furthermore, we are likely short of where we should be in terms of setting money aside in reserves; any curtailment would only hurt our future capacity.

If COVID persists for another year or more, some choices will clearly have to be considered for reducing the tax burden. However, at this time, no specific projects, initiatives or functions are being proposed for cancellation or reduction.

There also seems to be a sentiment to “build back better”, despite the fact that nothing has been physically compromised as a result of COVID. It is likely that what is envisioned is not a replacement of infrastructure that has failed, but a long-term plan to replace existing infrastructure with designs that will be more resilient and sustainable, and will better support the physical distancing currently being observed. This concept, however, will require more funding, not less, and will require significant time, staff resources, effort and public consultation to put in place.

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

	2020 YTD Actual	2020 Budget	YTD Variance	% of Budget	Note #
GENERAL OPERATING					
GENERAL REVENUE					
Taxation, Interest & Gov't Transfers	\$ (13,123,894)	\$ (13,408,067)	\$ (284,173)	98%	1
	(13,123,894)	(13,408,067)	(284,173)	98%	
LEGISLATIVE SERVICES					
Council	119,285	217,786	98,501	55%	
Committees	4,000	5,000	1,000	80%	
	123,285	222,786	99,501	55%	
GENERAL ADMINISTRATION					
Administrative Services	352,524	701,890	349,366	50%	
Financial Management	381,177	702,301	321,124	54%	
Driver Services	(23,501)	(94,100)	(70,599)	25%	2
Common Services	125,482	153,576	28,094	82%	3
Computer Services	334,577	503,050	168,473	67%	4
Other	(138,605)	(219,265)	(80,660)	63%	5
	1,031,655	1,747,452	715,797	59%	
ELECTIONS					
Elections & Referendum	6,197	6,000	(197)	103%	6
	6,197	6,000	(197)	103%	
PROTECTIVE SERVICES					
Police Protection	1,232,918	2,510,432	1,277,514	49%	7
Court House	18,388	31,171	12,783	59%	8
Fire Protection	749,093	1,492,336	743,243	50%	
Emergency Measures	350,213	50,000	(300,213)	700%	9
Bylaw Enforcement	(700,091)	13,700	713,791	-5110%	10
	1,650,521	4,097,639	2,447,118	40%	
TRANSPORTATION					
Common Services	686,551	1,090,018	403,467	63%	11
Roads	341,775	821,585	479,810	42%	12
Bus Shelters	493	148	(345)	333%	
Parking Lots	(9,054)	(24,771)	(15,717)	37%	13
Dock & Port Facilities	(211,938)	(242,997)	(31,059)	87%	14
Storm Drains	84,415	226,433	142,018	37%	15
Hydrants	19,424	43,690	24,266	44%	
Other	196,003	-	(196,003)	0%	16
	1,107,670	1,914,106	806,436	58%	
ENVIRONMENTAL HEALTH					
Solid Waste & Environmental Programs	102,487	182,435	79,948	56%	17
	102,487	182,435	79,948	56%	
DEVELOPMENT SERVICES					
Municipal Planning	286,511	564,270	277,759	51%	18
	286,511	564,270	277,759	51%	
RECREATION & CULTURE					
Parks	685,251	1,326,020	640,769	52%	19
Library	(13,794)	(25,325)	(11,531)	54%	
Senior's Centre	70,864	118,325	47,461	60%	20
Museums	85,436	149,042	63,606	57%	20
	827,757	1,568,062	740,305	53%	

	2020 YTD Actual	2020 Budget	YTD Variance	% of Budget	Note #
FISCAL SERVICES					
Internal Transfers to Reserves & Other Accounts	2,511,193	1,829,921	(681,272)	137%	21
Debt Servicing	158,860	425,215	266,355	37%	
Other	3,465	96,000	92,535	4%	22
Community Support	670,399	754,181	83,782	89%	23
	3,343,918	3,105,317	(238,601)	108%	
General (Surplus) / Deficit	\$ (4,643,893)	\$ -	\$ 4,643,893		
WATER OPERATING					
General Revenue	\$ (1,155,927)	\$ (2,201,528)	\$ (1,045,601)	53%	24
Administration	813,117	1,638,454	825,337	50%	
Operations	(134,093)	261,559	395,652	-51%	25
Transfers to Reserves & Other	290,100	301,515	11,415	96%	26
Water (Surplus) / Deficit	\$ (186,803)	\$ -	\$ 186,803		27
SEWER OPERATING					
General Revenue	\$ (1,354,314)	\$ (2,352,238)	\$ (997,924)	58%	28
Administration	96,218	189,913	93,695	51%	
Operations	1,589,351	1,800,210	210,859	88%	29
Transfers to Reserves & Other	307,800	362,115	54,315	85%	26
Sewer (Surplus) / Deficit	\$ 639,055	\$ -	\$ (639,055)		30
Total Operating (Surplus) / Deficit	\$ (4,191,641)	\$ -	\$ 4,191,641		

	2020	2020	YTD	% of	
	YTD Actual	Budget	Variance	Budget	Note #
GENERAL CAPITAL					
Fitness Room Equipment Replacement	\$ 2,383	\$ 2,500	\$ 117	95%	
Tempest - Calls for Service Mobility	9,870	10,000	130	99%	
Tempest - eInspections	-	10,500	10,500	0%	
Tempest - Utility eApply Auto Debit	-	17,700	17,700	0%	
Town Hall Roof & HVAC Replacement	354,344	425,000	70,656	83%	31
Workspace Efficiency Upgrades	642	5,000	4,358	13%	
Computer Replacement Plan	72,712	148,250	75,538	49%	32
Computer Equipment	1,921	5,000	3,079	38%	
Tempest - Utility Account Mass Change	-	5,000	5,000	0%	
Tempest - Our City	-	13,000	13,000	0%	
RCMP Furnishing	2,375	10,000	7,625	24%	
RCMP Heating System	-	50,000	50,000	0%	33
RCMP Roof Replacement	286,172	350,000	63,828	82%	33
RCMP Secure Parking	-	55,000	55,000	0%	34
RCMP Cell/Interview Room Renovation	-	20,000	20,000	0%	
CSB Access Easement	80,000	80,000	-	100%	35
RCMP Staff Entry Door	14,700	30,000	15,300	49%	34
Fire Equipment	11,350	30,000	18,650	38%	36
Engineering Equipment	1,398	4,500	3,102	31%	
Transportation Equipment	5,504	10,000	4,496	55%	
Third & Sidney Underground Wiring	188,820	1,189,762	1,000,942	16%	37
Infrastructure Replacement - Griffith Rd Paving	-	29,300	29,300	0%	38
Infrastructure Replacement - Vallis Place Paving	33,817	114,100	80,283	30%	39
Infrastructure Replacement - Lane 4 Paving	-	21,400	21,400	0%	40
Infrastructure Replacement - Lane 5 Paving	-	20,300	20,300	0%	40
Infrastructure Replacement - Third Street Sidewalk	13,032	41,800	28,768	31%	41
Infrastructure Replacement - Brethourpark Sidewalk	48,427	47,300	(1,127)	102%	42
Ocean Ave Sidewalk & Curb	-	240,400	240,400	0%	43
Green Tech Projects	-	10,000	10,000	0%	
Bowerbank Road Sidewalks	-	17,000	17,000	0%	
5th Street Underground Wiring	220,773	557,055	336,282	40%	44
Bus Stop Improvements	-	2,000	2,000	0%	
Infrastructure Replacement - Fire Lane #4 Storm Ditch	-	67,800	67,800	0%	
Transportation Vehicles	23,469	340,000	316,531	7%	45
Infrastructure Replacement - Allay Rd Storm Drain	-	203,000	203,000	0%	46
Fishing Pier Metal Painting	-	500,000	500,000	0%	47
Infrastructure Replacement - James White Blvd Storm Drain	-	15,000	15,000	0%	48
Infrastructure Replacement - Amelia Ave Storm Drain	-	10,000	10,000	0%	48
Wheel Loader	-	160,000	160,000	0%	49
Hydro Box Revitalization	7,353	5,000	(2,353)	147%	
Downtown Garbage Containers	5,853	5,000	(853)	117%	
Underground Wiring	-	20,000	20,000	0%	
Survey Equipment - Engineering	43,437	45,000	1,563	97%	50
Public Washroom - Portland Loo	-	150,000	150,000	0%	51
EV Chargers at Works Yard	-	5,000	5,000	0%	
Downtown Bike Storage	-	20,000	20,000	0%	

	2020 YTD Actual	2020 Budget	YTD Variance	% of Budget	Note #
GENERAL CAPITAL					
Computers/Tablets Field Use	5,564	10,000	4,436	56%	
Ferry Terminal Bldg. Improvements	2,121	100,000	97,879	2%	52
Eight St Sidewalk Extension	-	35,000	35,000	0%	53
Resthaven Bike Lanes	-	38,000	38,000	0%	54
Decorative Street Lighting	7,547	30,000	22,453	25%	
White Birch Rd Cul de Sac Improvements	-	60,000	60,000	0%	
Bike Path West of Hwy	915	50,000	49,085	2%	55
White Birch Storm Drain	-	20,000	20,000	0%	
Street Light Replacement	-	20,000	20,000	0%	
Bevan Sidewalk Replacement	21,778	40,000	18,222	54%	56
Beacon Wharf Repairs	94,918	142,330	47,412	67%	57
4th St Washroom Replacement	-	100,000	100,000	0%	51
Annual Workspace Efficiency - Public Works	-	3,000	3,000	0%	
Beacon Curb Return	-	22,500	22,500	0%	
Scissor Lift	8,656	10,000	1,344	87%	
Skatepark Seating	-	15,000	15,000	0%	
PW Compound Extension/Fencing	15,388	50,000	34,612	31%	58
Infrastructure Replacement - Ardwell Ave Paving	102,457	150,000	47,543	68%	59
DCC Bylaw	-	10,000	10,000	0%	
Rotary Park Chain Link Fence	12,400	15,000	2,600	83%	
Parks Equipment	3,615	10,000	6,385	36%	
Solar Lights - Maryland Park	10,909	10,000	(909)	109%	
Event Tent & Chairs	7,376	8,600	1,224	86%	
Iroquois Path Paving	16,288	20,000	3,712	81%	
Parks Vehicles	26,585	250,000	223,415	11%	60
Raeys Creek Dam	54,656	900,000	845,344	6%	61
Irrigation Upgrades	11,850	25,000	13,150	47%	
Rathdown Park Playground Redevelopment	178	200,000	199,822	0%	62
Tulista Park Sidewalk Improvement	-	200,000	200,000	0%	63
Rotary Park Irrigation Replace	-	30,000	30,000	0%	
Annual Tree Planting Program	-	20,000	20,000	0%	
Sculpture Walk Purchases	10,000	10,000	-	100%	
Senior Centre Flooring	-	16,200	16,200	0%	
Infrastructure Replacement - Patricia Place Neighborhood Storm Drain	12,772	680,000	667,228	2%	64
Infrastructure Replacement - Stirling Way Storm Drain	6,941	18,600	11,659	37%	
	1,575,586	8,436,897	6,861,311	19%	
WATER CAPITAL					
Hydrant Upgrade	\$ (3,574)	\$ 10,000	\$ 10,000	0%	
Infrastructure Replacement - Lochside Watermain	-	50,000	50,000	0%	65
Water Equipment	-	10,000	10,000	0%	
Infrastructure Replacement - Amelia Ave Watermain	-	10,000	10,000	0%	
Infrastructure Replacement - Oakville Ave Watermain	495	54,400	53,905	1%	66
Infrastructure Replacement - Vallis Drive Watermain	48,093	54,400	6,307	88%	67
Meter Replacement Program	15,894	100,000	84,106	16%	68
Water Vehicles	38,902	40,000	1,098	97%	
	99,811	328,800	225,415	30%	

	2020	2020	YTD	% of	
	YTD Actual	Budget	Variance	Budget	Note #
SEWER CAPITAL					
Infrastructure Replacement - Patricia Place Neighborhood Sewer	\$ -	\$ 460,000	\$ 460,000	0%	69
Spare Pump	-	20,000	20,000	0%	
Infrastructure Replacement - Harbour Pump Station	-	63,600	63,600	0%	70
Pump Station Condition Assessment	55,531	100,000	44,469	56%	70
Infrastructure Replacement - Rothesay Sewer Pump	-	61,800	61,800	0%	70
SCADA System	-	66,000	66,000	0%	71
Sewer Equipment	3,868	10,000	6,132	39%	
Infrastructure Replacement - James White Blvd Sewer	-	15,000	15,000	0%	72
Infrastructure Replacement - Amelia Ave Sewer	-	10,000	10,000	0%	72
Access Hatches - Pump Stations	-	20,000	20,000	0%	70
Sewer Vehicles	-	475,000	475,000	0%	73
	59,399	1,301,400	1,242,001	0	
TOTAL CAPITAL	\$ 2,020,475	\$ 10,067,097	\$ 8,043,048	20%	