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TOWN OF SIDNEY

REPORT TO COUNCIL

TO: Mayor & Council

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

DATE: July 31, 2015 **FILE NO.:** 1700-20 - Quarterly Financial Reports

SUBJECT: BUDGET VARIANCE REPORT – FIRST HALF OF 2015

PURPOSE:

To provide an update to Council on the financial results for the first half of the 2015 fiscal year.

DISCUSSION:

Attached is a copy of the Budget Variance Report covering roughly the first half of 2015. 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, where results presented on a net basis are more complete. The Capital results are presented on an expenditure basis (i.e. actual expenditures vs budget).

Overall, financial results for the year are meeting expectations, with both revenues and expenses following budget and previous year trends. More detailed comments follow below, with note #'s 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.

General Operating Fund

1. General Revenue is at 98% of budget due to property taxes and grants-in-lieu being recognized in the first half of the year and representing the majority of this budget. Collections of property taxes stand at 97% and follow trends established in recent years. Investment revenues are on track to meet budgeted expectations, with the majority of returns being generated in the last half of the year.
2. Driver Services is a profit centre that is budgeted to realize annual net revenues as opposed to net expenses. Revenues and expenses are tracking budget and year-end results should be close to the projected amount of net revenues.
3. The Town's liability insurance policy for 2015 has been paid in full and represents 60% of this budget. As such, this distorts the net results at the 6-month mark, but revenues and expenses overall are tracking budget and annual results are expected to meet budget.
4. Most of the annual maintenance, support and licencing agreements are paid early in the year; overall results for the year should be on budget.
5. The Elections budget represents an annual transfer to reserves to even out election costs over the 4 year term.
6. The police contract with the RCMP has been paid to the end of June, representing the first two quarters. Based on the billing for the first half of the year, as well as the adjustment for the previous fiscal year, which is received near the beginning of August each year, we expect to realize savings in the policing contract. The savings are due to temporary absences due to illness, disability or reassignment. If the billings for the rest of this year are for the full complement of officers, the savings are projected to be close to \$80,000; this is one source of expected savings each year, and is one of the factors that allows us to use a projected drawing of Surplus (\$200,000 this year) to balance the budget.
7. Payment for administration of the Peninsula Emergency Measures Organization (PEMO) is processed at year end. It is anticipated that full year expenses will meet budget.
8. The Bylaw Enforcement function includes several activities, including Building Inspection, Animal Control, Business Licencing and Parking Enforcement. Building Permit revenues are at 95% of the annual budget, which has resulted in a 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. It is expected that permit revenues will exceed budget, even though some revenues will be deferred at year end if the associated construction projects are not completed. All other revenues and expenses are tracking budget.
9. Roads is currently at 42% of budget; this is mainly due to roads staff being busy with capital projects, such as the Allbay project, and deferring preventative maintenance

and repairs in several roads activities until the second half of the year. Of note, and as a % of budget, traffic services, which includes street signs and line painting, is at 23%; patching & shouldering, which includes asphalt repairs and crack sealing, is at 19%; and curb & gutter repairs is at 21%. As well, there was minimal storm damage during the winter season, resulting in this activity being at 21% of budget and with the absence of snow so far in 2015, the activity of snow clearing and removal is at 0% of budget.

10. The Bus Shelter function has received all anticipated advertising rental revenues in the first half of the year, while minimal repairs and maintenance have been performed during this period. It is expected that more maintenance will be performed in the second half of the year, bringing the net results closer to budget.
11. 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.
12. "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. At year end, there will be full recovery for most items, and a net balance of close to zero.
13. The Solid Waste Disposal function represents the expenses incurred by the Town for garbage collection and the offsetting revenues collected through the quarterly garbage levy billed on the Utility Statement. The net expenses at the 6 month mark are lower than budget, due mainly to lower than anticipated solid waste and organic quantities being tipped at the Hartland Landfill.
14. Much of the Parks division budget is seasonal, and the bulk of expenses are incurred during the summer months. Some activities are slightly under budget, while others slightly over budget; but overall expenses are tracking previous trends and net results are not expected to exceed budget.
15. 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 in their present condition. Additionally, 50% of the net proceeds are shared with North Saanich, who own 50% of the building. The greater than expected net revenues have resulted from rent payments received to the end of July, while maintenance and repairs to maintain the building and grounds are less than budget.
16. This function represents maintenance of the Shoal Centre and related common areas. The strata fees for the Shoal Centre have been paid to the end of July. Staff have been working with Beacon Community Services and the Shoal Centre Strata to find some efficiencies in service delivery. Additional updates will be provided with the 3rd quarter report.

17. Payments to both the Saanich Peninsula Museum Society, for operation of the museum, and strata fees for both the Museum and the Shaw Ocean Discovery Centre have been paid to the end of August.
18. This function represents mostly the annual transfers to internal reserves, which have been completed. Transfers of note include \$892,900 to the infrastructure replacement reserve, \$246,300 to the vehicle and equipment replacement reserves, and \$158,100 to the Ferry Terminal reserve (direct transfer of lease payment received from Washington State Ferries). Remaining in this function is the year-end budgeted transfer of up to \$445,000 to fund capital projects from taxation revenue, as well as an estimated \$90k of interest revenue to reserves, and \$200k of funding from prior year surplus, if required (not expected).
19. This primarily represents a contingency budget of \$75,000, which is largely unspent. Council recently allocated \$12,000 of this budget to pay for the recording of Council meetings.
20. 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 grant funding to the Shaw Ocean Discovery Centre, are complete, while further funding remains to the Mary Winspear Centre, Saanich Peninsula Chamber of Commerce, and from the Economic Development fund. It is unlikely that the full amount of Economic Development funding will be spent this year, and it is anticipated that leftover funds would be carried over to next year.

Water and Sewer Operating Funds

21. Annual parcel taxes for both Water and Sewer were collected in the first half of the year, on the property tax notice, making revenues-to-date appear high. Water User fees collected are at 51% of budget, with the last two quarters usually producing more of the total annual revenues. Sewer User fees are at 55% of budget, with less of a second half variation. The User Fees in both Water and Sewer are trending higher than anticipated, most likely due to higher water usage resulting from the dry spring and summer weather conditions.
22. Bulk water purchases from CRD have been billed to the end of June and sit at 51% of budget. More of the budget will be consumed later in the year, as the summer months show more significant volume.
23. Water Operations are currently at 17% of budget due to water staff being assigned to capital projects, such as the Allbay Road project, and deferring preventative maintenance until the second half of the year.
24. Annual transfers to internal reserves are complete, with only year end transfers to capital remaining.

25. Although Water Operating currently indicates a surplus of roughly \$98,000 and Sewer Operating a deficit of over \$434,000 (mainly due to CRD payments for our share of treatment plant expenses), these variances are largely due to the timing of certain revenues and expenses. It is expected that budget will be achieved in both the Water and Sewer funds at fiscal year-end.
26. Sewer Operations are currently at 90% of budget, as the \$1.3 million annual payment to the CRD for the Town's share of the Saanich Peninsula Wastewater Treatment Plant is included in year-to-date results.

Capital Expenditures

Only a handful of Capital projects have been completed at the half way mark; 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 2016. Much of the emphasis in the first half of the year was on the Allbay Road project, Court House roof and HVAC unit replacement, Ferry Terminal Gateway Park improvements, and First Street sidewalk.

There are no significant concerns regarding the overall capital budget, but comments on certain specific capital projects follow below. More complete information will be available for the next quarterly report.

27. Replacement of the Court House roof and heating/ventilation/air conditioning units is nearing completion, with final invoices expected in the coming weeks. This project will be finished well under budget, with the savings accruing to all three funding partners: the Town, North Saanich, and the Province.
28. The budget for the purchase of a new fire truck was recently brought forward to 2015, in order to allow for the possible purchase of a demonstration unit. It now appears that the low-bid supplier may be able to custom build an ideal vehicle within our allotted budget. If this proceeds, the vehicle will not be completed until next year, with the bulk of the funds being carried forward.
29. This study was put on hold, pending the Town's grant application under the Canada 150 program. While no official word has been received, it appears that we were unsuccessful with our application. The major rehabilitation project is expected to proceed in 2016, using additional information from investigation done on behalf of a similar project at the ferry terminal (see #30 below).
30. Following advice received from a specialist consultant, it appears that the environmental mitigation measures associated with this project will require the budget to be increased. This work is now anticipated to be done in conjunction with the Bevan Fishing Pier, on the assumption that economies will be achieved by tendering both projects together in 2016.
31. The Washington State Ferries (WSF) agreement with the Town requires the undertaking of site and building improvements, including major maintenance and

capital replacement when required. Funding is from reserves, which are sustained mostly through the annual rents charged to WSF. Expenditures in 2015 are related to construction costs of completing the new Toll Booth, as well as design work for a new U.S. Border Services building. A recent meeting with representatives from the Canadian government, as well as WSF, has identified that ongoing negotiations between the Canadian and U.S. governments will lead to changes in border services. Due to the uncertainty resulting from these negotiations, the U.S. Customs Building replacement has been put on hold for a year. The budget for the project will be updated in the upcoming financial plan process to reflect any new requirements.

32. This infrastructure project is the replacement of Allbay Road water mains, sanitary sewer mains and storm sewer mains, followed by repaving and reinstatement. The water mains component, including all service connections, is 100% complete. The storm and sanitary sewer main components are 65% complete, with replacement of service connections to follow. It is anticipated that all underground works will be completed by late August, with road construction, paving and boulevard/driveway repairs to be completed by late September.
33. This project incorporates improvements to the park space near the Ferry Terminal entrance, with the goal of enhancing the Town's gateway to downtown. The project is now complete, but finished over budget as the scope increased to include the installation of lawn and an irrigation system. It is expected that the additional funding will come from savings in capital projects that are completed under budget.
34. The budget to provide gateway signage near the ferry terminal was recently increased by Council to accommodate a new design. It is anticipated that the production of the new sign will not be completed until late 2015, at the earliest. As a result, it is likely that this project will be completed in early 2016.
35. Now complete, the project has enhanced the pedestrian sidewalk linkage between the Ferry Terminal and Bevan Avenue, with sidewalk widening, installation of paver stones, lighting, street furniture and boulevard trees. Although finished over budget, the shortfall will be funded from a reserve for non-refundable tree deposits.
36. This consultant study to analyze Town sewer, drain and water systems, including condition and capacity relative to current zoning and OCP densities, is nearing completion. The study will identify any deficiencies and recommend system improvements, including new modeling software estimated at \$25,000.

FINANCIAL IMPLICATIONS:

While several capital projects have been completed, and year-to-date expenditures seem to be mostly in line, there are still many projects, particularly infrastructure projects, that are in progress or will commence in the second half of the 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 concern at this time. It is anticipated that any overages identified above will be covered through savings in other expenditure areas. At this time, it is anticipated that the \$200,000 in Surplus funding that was used to balance the budget – and minimize the tax increase – will not be drawn upon.

RECOMMENDATION:

That this report be received for information.

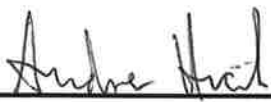
Respectfully submitted:

I concur:

I concur:

for 

Troy Restell
Manager of Finance



Andrew Hicik
Director of Corp. Svcs.



Randy Humble
Chief Administrative Officer

	2015 YTD Actual	2015 Budget	YTD Variance	% of Budget	Note #
GENERAL OPERATING					
GENERAL REVENUE					
Taxation, Interest & Gov't Transfers	\$ (11,365,322)	\$ (11,546,280)	\$ (180,958)	98%	1
	(11,365,322)	(11,546,280)	(180,958)	101%	
LEGISLATIVE SERVICES					
Council	119,158	215,700	96,542	55%	
Committees	4,932	8,500	3,568	58%	
	124,090	224,200	100,110	55%	
GENERAL ADMINISTRATION					
Administrative Services	295,968	529,969	234,001	56%	
Financial Management	334,003	622,755	288,752	54%	
Driver Services	(13,435)	(59,600)	(46,165)	23%	2
Common Services	83,507	114,784	31,277	73%	3
Computer Services	291,459	469,600	178,141	62%	4
Other	(114,973)	(202,669)	(87,696)	57%	
	876,530	1,474,839	598,309	59%	
ELECTIONS					
Elections & Referendum	4,000	4,000	-	100%	5
	4,000	4,000	-	100%	
PROTECTIVE SERVICES					
Police Protection	1,050,786	2,241,833	1,191,047	47%	6
Court House	17,457	26,631	9,174	66%	
Fire Protection	598,960	1,113,099	514,139	54%	
Emergency Measures	10,783	34,000	23,217	32%	7
Bylaw Enforcement	(122,950)	59,998	182,948	-205%	8
	1,555,037	3,475,561	1,920,524	45%	
TRANSPORTATION					
Common Services	498,124	897,449	399,325	56%	
Roads	375,791	904,710	528,919	42%	9
Bus Shelters	(1,151)	10,398	11,549	-11%	10
Parking Lots	(10,155)	(16,541)	(6,386)	61%	
Dock & Port Facilities	(194,628)	(185,945)	8,683	105%	11
Storm Drains	95,230	179,291	84,061	53%	
Hydrants	16,284	38,690	22,406	42%	
Other	110,265	-	(110,265)		12
	889,761	1,828,052	938,291	49%	
ENVIRONMENTAL HEALTH					
Solid Waste & Environmental Programs	66,950	136,760	69,810	49%	13
	66,950	136,760	69,810	49%	
DEVELOPMENT SERVICES					
Municipal Planning	194,221	354,465	160,244	55%	
	194,221	354,465	160,244	55%	
RECREATION & CULTURE					
Parks	629,353	1,082,294	452,941	58%	14
Library	(17,537)	(19,962)	(2,425)	88%	15
Senior's Centre	67,136	107,266	40,130	63%	16
Museums	75,928	110,853	34,925	68%	17
	754,880	1,280,451	525,571	59%	
FISCAL SERVICES					
Internal Transfers to Reserves & Other Accounts	1,504,650	1,839,925	335,275	82%	18
Debt Servicing	170,943	313,500	142,557	55%	
Other	10,230	88,500	78,270	12%	19
Community Support	363,639	526,027	162,388	69%	20
	2,049,462	2,767,952	718,490	74%	
General (Surplus) / Deficit	\$ (4,850,391)	\$ -	\$ 4,850,391		

	2015 YTD Actual	2015 Budget	YTD Variance	% of Budget	Note #
WATER OPERATING					
General Revenue	\$ (1,137,709)	\$ (1,939,642)	\$ (801,933)	59%	21
Administration	735,226	1,419,603	684,377	52%	22
Training	11,122	11,571	449	96%	
Operations	40,078	238,668	198,590	17%	23
Transfers to Reserves & Other	252,600	269,800	17,200	94%	24
Water (Surplus) / Deficit	\$ (98,683)	\$ -	\$ 98,683		25

SEWER OPERATING					
General Revenue	\$ (1,353,554)	\$ (2,054,952)	\$ (701,398)	66%	21
Administration	90,333	165,139	74,806	55%	
Training	8,049	11,657	3,608	69%	
Operations	1,464,066	1,629,856	165,790	90%	26
Transfers to Reserves & Other	225,300	248,300	23,000	91%	24
Sewer (Surplus) / Deficit	\$ 434,194	\$ -	\$ (434,194)		25
Total Operating (Surplus) / Deficit	\$ (4,514,880)	\$ -	\$ 4,514,880		

	2015 YTD Actual	2015 Budget	YTD Variance	% of Budget	Note #
GENERAL CAPITAL					
Asset Management Software Implementation	\$ 16,256	\$ 50,000	\$ 33,744	33%	
Town Hall Furnishings	3,802	5,000	1,198	76%	
Computer Replacement Plan	-	130,000	130,000	0%	
Computer Equipment Fund	4,153	5,000	847	83%	
Tempest ebilling	-	11,850	11,850	0%	
Tempest Licensing Module Upgrades	-	20,000	20,000	0%	
Multi-Functional Devices	-	27,000	27,000	0%	
Town Hall Security Upgrades	48	7,600	7,552	1%	
Court House Roof & Heat Pump Units	123,431	200,000	76,569	62%	27
Baby Change Tables	1,706	2,500	794	68%	
RCMP Furnishings	4,300	7,500	3,200	57%	
RCMP Civ. Finger Printing	-	30,000	30,000	0%	
Prisoner Booking System	-	25,000	25,000	0%	
Fire Engine Replacement	-	600,000	600,000	0%	28
Fire Small Equipment	-	17,500	17,500	0%	
Marine Fire Pump Equipment	18,561	20,000	1,439	93%	
Engineering Equipment	-	4,500	4,500	0%	
Public Works Equipment	5,413	10,000	4,587	54%	
Green Technology Applications	-	10,000	10,000	0%	
Fishing Pier Study	-	25,000	25,000	0%	29
Transportation Vehicles	46,297	200,000	153,703	23%	
Underground Wiring	233	20,000	19,767	1%	
Ferry Terminal Marine Structures	-	145,000	145,000	0%	
Ferry Terminal Pedestrian Shelter	-	15,000	15,000	0%	
Ferry Terminal Dock Metal Painting	-	50,000	50,000	0%	30
Ferry Terminal Building Improvements	213,865	410,000	196,135	52%	31
Epco/Ocean Flashing Xwalk	173	8,950	8,777	2%	
James White Blvd Sidewalk	44,056	65,000	20,944	68%	
Infra Plan-Allbay Rd Drainage	151,222	513,500	362,278	29%	32
Infra Plan-Allbay Rd Paving	475	159,900	159,425	0%	32
Infra Plan-Frost Ave West Curb	-	41,200	41,200	0%	
Infra Plan-Northbrook Dr	3,941	31,600	27,659	12%	
Decorative Street Lighting	-	30,000	30,000	0%	
Ferry Terminal Gateway Park Improvements	47,603	25,000	(22,603)	190%	33
White Birch Storm Drain Repair	-	20,000	20,000	0%	
Fourth & Ocean Drainage Improvements	46,115	95,000	48,885	49%	
Infra Plan-Swiftsure PI Sidewalk	-	14,000	14,000	0%	
Gateway Signage	94	32,000	31,906	0%	34
Wayfinding Signage	3,378	35,000	31,622	10%	
Bicycle Wayfinding Signage	5,490	8,600	3,110	64%	
Pedestrian Traffic Counter	-	6,750	6,750	0%	
First Street Sidewalks	147,317	135,000	(12,317)	109%	35
Infra Plan-Weiler Ave	20,655	326,500	305,845	6%	
Beacon Ave Curb Returns	-	20,000	20,000	0%	
Used Oil Recycling Station	10,745	10,000	(745)	107%	
Fourth Street Washroom Siding	5,965	5,000	(965)	119%	
Works Yard Overhead Door	4,896	5,000	104	98%	
Public Works Administration Building Design	-	5,000	5,000	0%	

	2015 YTD Actual	2015 Budget	YTD Variance	% of Budget	Note #
Tulista Skateboard Park Design	-	25,000	25,000	0%	
Iroquois Tennis Court Resurfacing	12,175	15,000	2,825	81%	
Utility Trailer	-	15,000	15,000	0%	
Tulista Playground Picnic Table	1,734	1,500	(234)	116%	
Rathdown Playground Fencing	-	9,000	9,000	0%	
Galaran Improvements	6,040	10,000	3,960	60%	
DCC Bylaw	-	10,000	10,000	0%	
Parks Equipment	4,707	10,000	5,293	47%	
Iroquois Multisport Court Fencing	-	25,000	25,000	0%	
Parks Vehicles	19,960	77,000	57,040	26%	
Reay Creek Dam	-	40,000	40,000	0%	
Library Renovations	4,861	6,500	1,639	75%	
Infra Plan - ArdwellStormDrain	-	298,740	298,740	0%	
	979,666	4,184,190	3,204,524	23%	

WATER CAPITAL

Hydrant Upgrades	\$ -	\$ 10,000	\$ 10,000	0%	
Allbay Rd Replacement Study	3,696	18,000	14,304	21%	
Infrastructure Plan - Wtr/Swr/Stm Sys	57,207	120,000	62,793	48%	36
Infrastructure Plan - Allbay Rd Water	274,774	489,600	214,826	56%	32
Water Equipment	5,413	10,000	4,587	54%	
Backflow Preventers	52	37,000	36,948	0%	
Water Vehicle Replacement	-	50,000	50,000	0%	
	341,143	734,600	393,457	46%	

SEWER CAPITAL

Infrastructure Plan - Allbay Rd Sewer	\$ 176,988	\$ 525,700	\$ 348,712	34%	32
Pump Station Spare	-	10,000	\$ 10,000	0%	
Sewer Equipment	5,413	10,000	4,587	54%	
	182,401	545,700	363,299	33%	

TOTAL CAPITAL	\$ 1,503,211	\$ 5,464,490	\$ 3,961,279	28%	
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