

# Staff Report to Council

Financial Services

FILE: 05-1615-01/19

**DATE:** October 21, 2019

**Date of Meeting –** October 29, 2019

**TO:** Mayor and Council

**FROM:** Cheryl Harding, Director of Financial Services

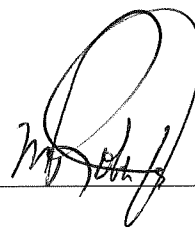
**SUBJECT:** 2019 Eight Month Budget Variance Review

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**RECOMMENDATION(S):** THAT Council:

- A. Direct Staff to prepare an Amended 2019 – 2023 Financial Plan Bylaw reflective of the information contained in the tables included in Attachment A of the '2019 Eight Month Budget Variance Review' Staff Report; OR
- B. Other.

**CHIEF ADMINISTRATIVE OFFICER COMMENT/RECOMMENDATION:**



**PURPOSE**

☐ Information Report

☒ Direction Report

☐ Decision Report

**DISCUSSION**

**Background:**

The 2019 eight month budget variance review is performed for the following reasons:

- To provide a mechanism for staff to adjust their work plans based on significant unplanned financial events;

- To provide an opportunity for staff to communicate to Council the 2019 forecasted results and seek direction for any anomalies, and
- To include a projection of potential surplus or deficit and significant items to be contemplated during the 2020 budget and business planning process.

#### **Relevant Policy, Bylaw or Legislation:**

The authority to expend funds is contained in the 2019 – 2023 Financial Plan Bylaw No. 2818, 2019. Amendments contained in this report along with any identified in the 2019 yearend process will be incorporated into the financial plan bylaw amendment in the spring of 2020.

Council C094 Surplus Policy has set a targeted accumulated surplus minimum balance of 5% of net operating expenditures which is the equivalent of approximately \$1 million. The purpose of the accumulated surplus is to maintain a level of financial resources sufficient to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures and allows for unanticipated expenditures.

#### **Analysis:**

Attachment A is a summary of budgeted and actual operating revenues and expenditures by fund, for the eight months ending August 31, 2019, along with projected values through to the end of the year based on known trends and expectations and allowing for known issues. These are summarized as follows:

##### General Fund

At this time, the general fund is estimated to generate a surplus of \$208,000 as noted in the General Fund Table A. This surplus will support the Council C094 Surplus Policy targeted balance of \$1 million. After incorporating the estimated 2019 surplus of \$208,000 the projected unallocated Accumulated Surplus Reserve balance is \$1,063,000.

Comments on the significant items, cross-referenced to the table are as follows:

- Items 1, 2 & 3 – Higher than normal revenues from dog licenses, business licenses and soil permits add up to \$82,100 (\$3,100 + \$39,000 + \$40,000). \$40,800 (\$3,100 + \$33,000 + \$4,700) is estimated to be sustainable revenue and has been added to the 2020 budget.
- Item 4 – Each year a conservative estimate of new development taxation revenue is established during the business plan process since the actual amount is unknown until BC Assessment issues the final taxation assessment roll in April. As a result of this timing difference additional 2019 taxation revenue has been realized in the amount of \$24,000. This has been added to the 2020 budget.
- Items 5 & 6 – The RCMP budget is forecasting a surplus of \$179,000. As done in past years it is proposed that 50% of the annual RCMP surplus be transferred to the RCMP

reserve for the purpose of smoothing out onetime capital requests and fluctuations in member vacancies. Therefore, for 2019, 50% of \$179,000, or \$90,000, would be transferred to this reserve.

The RCMP budget is very complex and highly dependent on the Federal Government budgeting and accounting practices which creates challenges to accurately predict yearend results. Therefore, the anticipated surplus should be cautiously accepted.

- Items 7 & 8 – Each year the City budgets for potential position vacancy savings created by unplanned staff vacancies such as resignations. There is an estimated surplus of \$143,000 in this area created by an increase in and longer vacancies. A result of the vacancies is an accumulation of regular operational work. Therefore, the position vacancy surplus is being set aside in carry forward funds for 2020 to support staff in addressing the operational requirements in various areas impacted by the vacancies.
- Item 9 – This is comprised of a number of minor account variances.

#### **General Fund – Table A**

#	Description	Surplus (Deficit)	Sustainable Adjustments to the 2020 Budget	Volatile or Onetime Activities
	<b><u>Revenues</u></b>			
1	Dog Licenses	3,100	3,100	-
2	Business Licenses	39,000	33,000	6,000
3	Soil Permits	40,000	4,700	35,300
4	2019 New development revenue higher than budget	24,000	24,000	-
		106,100	64,800	41,300
	<b><u>Expenses</u></b>			
5	RCMP estimated surplus	179,000	-	179,000
6	Transfer 50% surplus to RCMP reserve	(90,000)	-	(90,000)
7	Position vacancy surplus	143,000	-	143,000
8	Provision for supporting staff work activities	(143,000)		(143,000)
9	Other	12,900	-	12,900
		101,900	-	101,900
	Contribution towards Surplus Policy \$1M target	\$ 208,000	64,800	143,200

### Utilities:

The Drainage Utility is estimated to generate a surplus of \$37,000 which is dependent on favourable weather conditions.

Each year a conservative estimate of new development drainage revenue is established during the business plan process since the actual amount is unknown until BC Assessment issues the final taxation assessment roll in April. As a result of this timing difference additional 2019 revenue has been realized in the amount of \$32,000. This has been added to the 2020 budget.

Drainage and pump station maintenance deficits are expected to be offset by ditch and culvert maintenance surpluses.

The actual surplus at the end of the year will be transferred to the Drainage Reserve which will contribute to narrowing the asset replacement funding gap identified in the Asset Management Plan (AMP) presented to Council in 2017. The gap is currently in the amount of \$560,000 annually (calculated as AMP target of \$1.4 million minus 2019 budgeted annual reserve contribution \$840,000).

### **Drainage Utility Table B**

#	Description	Surplus (Deficit)
1	Mill Rate – new development revenue higher than budget	\$ 32,000
2	Drainage maintenance	(30,000)
3	Pump station maintenance	(3,000)
4	Ditch maintenance	33,000
5	Culvert maintenance	5,000
	Potential Surplus	\$ 37,000

The Sanitary Sewer Utility is estimated to generate a surplus of \$14,000. Although pump station servicing experienced higher maintenance costs, additional growth revenue and savings in sewer line maintenance are expected to balance this fund out.

The net forecasted surplus will be transferred to the Sewer Reserve which will contribute to narrowing the asset replacement funding gap identified by the Sewer Asset Management plan in the amount of \$127,000 annually (calculated as AMP target \$575,000 minus 2019 budget annual reserve contribution \$448,000).

### **Sewer Utility – Table C**

#	Description	Surplus (Deficit)
1	Sewer Levy	\$ 9,900
2	Sewer line maintenance	15,400
3	Pump station servicing	(11,300)
	Potential Surplus	\$ 14,000

The Solid Waste Utility is estimated to generate a surplus of \$2,400 which will be transferred to the Operating Reserve which serves in part to provide funding to stabilize tax rates and levies.

**Solid Waste Utility – Table D**

#	Description	Surplus (Deficit)
1	Green waste pickup	\$ 1,400
2	Other	1,000
	Potential Surplus	\$ 2,400

The Water Utility is estimated to generate a deficit of \$63,000.

Significant items to note:

- Item 2 – metered billing revenue deficit of \$177,000 is being forecasted due to lower average consumption patterns.
- Item 4 – Further to the lower consumption patterns the combined water purchase costs for flat rate and metered customers are estimated to be lower than budget by \$93,000.

The water consumption estimates are based on historical patterns and dependent on weather conditions which creates challenges in predicting yearend results.

Additionally, the City relies solely on Metro Vancouver's transmission water meters and is charged based on Volume-in versus Volume-out of Pitt Meadows. As the City retrofits our pressure reducing valve stations (the point where water is drawn from the Metro Vancouver transmission line) new water meters are installed. These water meters will assist with verifying the accuracy of Metro Vancouver's water billings in the future.

**Water Utility – Table E**

#	Description	Surplus (Deficit)
1	Flat fees	(3,000)
2	Metered billing (lower consumption)	(177,000)
3	Late payment penalties	11,000
4	GVWD water purchase (lower consumption)	93,000
5	Maintenance – water lines, PRV stations, meters, hydrants	15,000
6	Other	(2,000)
	Potential Deficit	(63,000)

**Capital**

The expectation is that the 2019 capital spending will be at or under budget for all departments. There are 159 capital projects in the plan, with forecasts expected to produce 61 projects completed on budget, 34 projects under budget, 9 projects postponed for future consideration and 55 projects carried forward to 2020. Further to the Budget Guidelines, if a project has not been started it may not be carried forward beyond 2 years from the year of

approval. All potential project carry forwards fall within these parameters. No projects are expected to exceed their budgets.

Significant projects underway include the Pump Station #4 Refurbishment Project (expected to be completed in 2020) and the Firehall Replacement Project (progresses to the next phase in 2020).

#### **COUNCIL STRATEGIC PLAN ALIGNMENT**

- ☐ Principled Governance    ☐ Balanced Economic Prosperity    ☒ Corporate Excellence  
☐ Community Spirit & Wellbeing    ☐ Transportation & Infrastructure Initiatives  
☐ Not Applicable

The eight month budget variance review provides transparency in responsible financial management.

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#### **FINANCIAL IMPLICATIONS**

- ☐ None    ☐ Budget Previously Approved    ☒ Other    ☐ Referral to Business Planning

As outlined in the report.

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#### **PUBLIC PARTICIPATION**

- ☒ Inform    ☐ Consult    ☐ Involve    ☐ Collaborate    ☐ Empower

Providing information on the City's financial management through communication and transparency supports gaining and maintaining the public's trust.

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#### **KATZIE FIRST NATION CONSIDERATIONS**

Referral    ☐ Yes    ☒ No

None identified

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#### **SIGN-OFFS**

**Written by:**

Cheryl Harding, Director of Financial Services

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#### **ATTACHMENT(S):**

- A. Revenue and Expense Summaries for the Eight Months Ending August 31, 2019.

## CITY OF PITT MEADOWS

## General Fund Summary

## Budget Variance Reporting - to August 31, 2019

	Budget	YTD Actual	Remainder of Year Forecast	Projected Total	Projected Variance	Percent of Budget
<b>REVENUES</b>						
Grants & Contributions	(\$ 720,500)	(\$ 1,065,192)	(\$ 38,501)	(\$ 1,103,693)	\$ 383,193	153%
Licenses, Permits, Penalties & Fines	(1,630,600)	(1,273,618)	(595,345)	(1,868,963)	238,363	115%
Return on Investments	(465,000)	(196,326)	(268,674)	(465,000)	0	100%
Sale of Services	(2,852,000)	(1,784,197)	(1,070,147)	(2,854,344)	2,344	100%
Taxation	(22,268,700)	(22,324,284)	(8,260)	(22,332,544)	63,844	100%
Transfers from Reserves	(1,782,000)	(831,768)	(128,459)	(960,227)	(821,773)	54%
	(\$ 29,718,800)	(\$ 27,475,385)	(\$ 2,109,386)	(\$ 29,584,771)	(\$ 134,029)	100%
<b>EXPENSES</b>						
Community Development	1,002,200	584,545	387,592	972,137	30,063	97%
Dike Maintenance	184,200	90,794	65,400	156,194	28,006	85%
General Government Services	4,293,800	2,603,635	1,542,545	4,146,180	147,620	97%
Parks, Recreation & Cultural Services	6,234,000	4,040,644	2,116,335	6,156,979	77,021	99%
Protective Services	7,914,000	3,148,178	4,445,480	7,593,658	320,342	96%
Taxation	16,000	21,666	8,000	29,666	(13,666)	185%
Transfers to Reserves	8,330,200	6,221,716	2,349,103	8,570,819	(240,619)	103%
Transportation Services	1,744,400	1,158,804	592,805	1,751,609	(7,209)	100%
	\$ 29,718,800	\$ 17,869,982	\$ 11,507,260	\$ 29,377,242	\$ 341,558	99%
Balance	\$ 0	(\$ 9,605,403)	\$ 9,397,874	(\$ 207,529)	\$ 207,529	

**CITY OF PITT MEADOWS**  
Drainage Utility Fund Summary

Budget Variance Reporting - to August 31, 2019
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	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues:						
Sale of Services	(\$ 2,084,200)	(\$ 2,116,784)	\$ 0	(\$ 2,116,784)	\$ 32,584	102%
	(\$ 2,084,200)	(\$ 2,116,784)	\$ 0	(\$ 2,116,784)	\$ 32,584	102%
Expenses:						
Culvert Maintenance	57,200	20,558	31,850	52,408	4,792	92%
Ditch Maintenance	350,500	114,943	202,500	317,443	33,057	91%
Drainage Maintenance	583,700	367,329	246,714	614,043	(30,343)	105%
Pump Station Maintenance	192,400	127,730	67,453	195,183	(2,783)	101%
Transfers to Reserves	900,400	900,400	0	900,400	0	100%
	<u>\$ 2,084,200</u>	<u>\$ 1,530,960</u>	<u>\$ 548,517</u>	<u>\$ 2,079,477</u>	<u>\$ 4,723</u>	<u>100%</u>
Balance	<u>\$ 0</u>	<u>(\$ 585,824)</u>	<u>\$ 548,517</u>	<u>(\$ 37,307)</u>	<u>\$ 37,307</u>	



**CITY OF PITT MEADOWS**  
Sewer Utility Fund Summary

Budget Variance Reporting - to August 31, 2019
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	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues:						
Sale of Services	(\$ 2,474,500)	(\$ 2,429,447)	(\$ 54,921)	(\$ 2,484,368)	\$ 9,868	100%
	(\$ 2,474,500)	(\$ 2,429,447)	(\$ 54,921)	(\$ 2,484,368)	\$ 9,868	100%
Expenses:						
Administration	227,900	151,928	75,972	227,900	0	100%
GVSDD Treatment Charge	1,555,800	1,555,761	0	1,555,761	39	100%
Hydro	18,400	13,351	5,000	18,351	49	100%
Insurance	4,400	4,133	0	4,133	267	94%
Pump Station servicing	118,600	95,837	34,382	130,219	(11,619)	110%
Sewer Line Maintenance	101,400	35,388	50,600	85,988	15,412	85%
Transfer to Reserves	448,000	448,000	0	448,000	0	100%
	\$ 2,474,500	\$ 2,304,398	\$ 165,954	\$ 2,470,352	\$ 4,148	100%
Balance	\$ 0	(\$ 125,049)	\$ 111,033	(\$ 14,016)	\$ 14,016	

**CITY OF PITT MEADOWS**  
Solid Waste Summary

Budget Variance Reporting - to August 31, 2019
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Revenues:

	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Garbage Tickets	(\$ 14,000)	(\$ 8,240)	\$ 0	(\$ 8,240)	(\$ 5,760)	59%
Solid Waste Levy	(978,700)	(979,240)	0	(979,240)	540	100%
Other	(2,000)	(2,530)	0	(2,530)	530	127%
	(\$ 994,700)	(\$ 990,010)	\$ 0	(\$ 990,010)	(\$ 4,690)	100%

Expenses

Administration	\$ 45,100	\$ 30,064	\$ 15,036	\$ 45,100	\$ 0	100%
Collection	495,200	369,688	124,000	493,688	1,512	100%
Education	3,800	2,493	1,100	3,593	207	95%
Other	2,700	2,253	700	2,953	(253)	109%
Solid Waste	10,000	2,608	2,500	5,108	4,892	51%
Tipping Fees	437,900	233,133	204,000	437,133	767	100%
	\$ 994,700	\$ 640,239	\$ 347,336	\$ 987,575	\$ 7,125	99%

Balance

\$ 0	(\$ 349,771)	\$ 347,336	(\$ 2,435)	\$ 2,435
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**CITY OF PITT MEADOWS**  
Water Utility Fund Summary

Budget Variance Reporting - to August 31, 2019

	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues						
Licenses, Permits, Penalties & Fines	(\$ 22,900)	(\$ 18,573)	(\$ 15,000)	(\$ 33,573)	\$ 10,673	147%
Sale of Services	(4,609,300)	(2,962,517)	(1,464,921)	(4,427,438)	(181,862)	96%
	(\$ 4,632,200)	(\$ 2,981,090)	(\$ 1,479,921)	(\$ 4,461,011)	(\$ 171,189)	96%
Expenses:						
Administration	343,400	228,936	114,464	343,400	-	100%
GVWD Water Purchase	2,653,300	1,129,692	1,430,661	2,560,353	92,947	96%
Hydrant Servicing	45,700	24,066	15,500	39,566	6,134	87%
Hydro	7,100	4,458	2,600	7,058	42	99%
Insurance	1,700	1,484	-	1,484	216	87%
Meter Servicing	31,200	10,779	11,300	22,079	9,121	71%
PRV Servicing	74,400	34,440	33,000	67,440	6,960	91%
Transfers to Reserves	1,285,000	1,285,000	-	1,285,000	-	100%
Water Line Maintenance	190,400	165,054	32,800	197,854	(7,454)	104%
	\$ 4,632,200	\$ 2,883,909	\$ 1,640,325	\$ 4,524,234	\$ 107,966	98%
Balance	\$ 0	(\$ 97,181)	\$ 160,404	\$ 63,223	(\$ 63,223)	