



CITY OF  
**Pitt Meadows**  
The *Natural* Place

## Staff Report to Council

Financial Services

FILE: 05-1615-01/18

**DATE:** November 06, 2018

**Date of Meeting –** November 13, 2018

**TO:** Mayor and Council

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

**SUBJECT:** 2018 Eight Month Budget Variance Review

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

- A. Direct Staff to prepare an Amended 2018 – 2022 Financial Plan Bylaw reflective of the information in Tables A through E ; OR
- B. Other.

**CHIEF ADMINISTRATIVE OFFICER COMMENT/RECOMMENDATION:**

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### **PURPOSE**

☐ Information Report      ☒ Direction Report      ☐ Decision Report

### **DISCUSSION**

#### **Background:**

The 2018 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 2018 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 2019 budget and business planning process.

**Relevant Policy, Bylaw or Legislation:**

The authority to expend funds is contained in the 2018 – 2022 Financial Plan Bylaw No. 2794, 2018. Amendments contained in this report along with any identified in the 2018 yearend process will be incorporated into the financial plan bylaw amendment in the spring of 2019.

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.

**Analysis:** Attachment A is a summary of budgeted and actual operating revenues and expenditures by fund, for the eight months ending August 31, 2018, 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 \$582,700 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 2018 current year surplus of \$582,700 and the 2019 proposed projects funded by this reserve the projected 2019 Accumulated Surplus is \$705,000. The 2019 proposed budget incorporates the sustainable portion of this surplus which amounts to \$143,600 as outlined in Table A.

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

- Item 1 – Higher than normal bylaw fine revenue has been incurred this year related primarily to one property carrying out non-farm use activity at 14411 Neaves Rd. This is the majority of the \$88,000 in one-time/volatile bylaw fine revenues. However, \$7,000 sustainable revenue has been added to the 2019 budget.
- Item 2 – Each year, a conservative estimate of new development taxation revenue is established during the business plan process since the actual amount is not known until April when BC Assessment issues the final taxation assessment roll. As a result of this timing difference additional 2018 taxation revenue has been determined in the amount of \$92,000. This has been added to the 2019 budget.
- Item 3 – BC Hydro 1% utility tax revenue is \$9,800 higher than budget which has been added to the 2019 proposed budget. This revenue is established by Section 644 of the Local Government Act which stipulates a 1% property tax on gross rentals of utility services in the community.

- Item 4 – The net increase in Recreation program revenues at the Rec Centre, South Bonson Community Centre and Heritage Hall is producing a forecasted surplus of \$52,900. These revenues are fairly volatile but an estimate of \$28,700 has been included in the 2019 budget to reflect the estimated sustainable portion.
- Item 5 – Cultural Services film permit and program revenue is generating a surplus of \$30,500. These revenues are also quite volatile and with programming being in its infancy a conservative estimate of \$6,100 has been added to the 2019 budget.
- Item 6 – The RCMP budget is forecasting a surplus of \$345,800. In recent years 50% of the RCMP surplus was transferred to the RCMP reserve to be held for the purpose of smoothing out onetime capital requests and fluctuations in member vacancies. This reserve has accumulated sufficient funding to smooth out onetime capital requests identified in the 5 year plan as well as estimates for the 5 years beyond. Considering this information, as well as the Council Surplus Policy which established a target General Fund Accumulated Surplus of 5% of net expenditures (or approximately \$1 million), 100% of the RCMP surplus will be transferred to the Accumulated Surplus 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 \$53,000 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 2019 to support staff in addressing the operational requirements in various areas impacted by the vacancies.
- Item 9 – Expenses related to the preparation of the anticipated spring 2018 freshet which are not reimbursable from Emergency Management BC amount to approximately \$31,800.
- Item 10 – This is comprised of a number of minor account variances.

**GENERAL FUND – TABLE A**

#	Description	Surplus (Deficit)	Sustainable Adjustments to the 2019 Budget	Volatile or Onetime Activities
	<b>Revenues</b>			
1	Bylaw Fines	95,000	7,000	88,000
2	2017 New development revenue higher than budget	92,000	92,000	-
3	BC Hydro 1% Utility	9,800	9,800	-
4	Recreation program revenue	52,900	28,700	24,200
5	Cultural Services Programs & Film Permits	30,500	6,100	24,400
		280,200	143,600	136,600
	<b>Expenses</b>			
6	RCMP estimated surplus	345,800	-	345,800
7	Position vacancy surplus (\$173,000 vs \$120,000)	53,000	-	53,000
8	Provision for supporting staff work activities	(53,000)	-	(53,000)
9	Spring freshet emergency preparedness	(31,800)	-	(31,800)
10	Other	(11,500)	-	(11,500)
		302,500	-	302,500
	Contribution towards Surplus Policy \$1M target	582,700	143,600	439,100

**Utilities:**

The Drainage Utility is estimated to generate a surplus \$10,400 which is dependent on favourable weather conditions.

The additional revenue of \$49,500 from Maple Ridge for their share of Area 3 reserve savings is offset by the increased transfer to the reserve. In 2018, the billing model to Maple Ridge was changed from being tied to fluctuating capital contributions and instead to a stable revenue stream in order to smooth out Maple Ridge ratepayer rates.

The actual surplus will be transferred to the Drainage Reserve which will contribute to narrowing the asset replacement funding gap that was quantified in the Asset Management Plan (AMP) presented to Council in June of 2017 in the amount of \$600,000 annually (AMP Target \$1.4 million minus 2018 budgeted annual reserve contribution \$800,000)

**DRAINAGE UTILITY – TABLE B**

#	Description	Surplus (Deficit)
1	Mill Rate	5,000
2	Levy – Maple Ridge	49,500
3	Reserve savings	(49,500)
4	Maintenance – culverts, storm sewer, bar screens	600
5	Debt interest	4,800
	Potential Surplus	10,400

The Sanitary Sewer Utility is estimated to generate a surplus of \$72,600. This is primarily the result of a combination of diversion of resources to support the spring freshet emergency preparedness and response as well as from unexpected staff vacancies.

The net forecasted surplus will be transferred to the Sewer Reserve which will contribute to narrowing the asset replacement funding gap quantified by the Sewer Asset Management Plan in the amount of \$147,000 (AMP target \$575,000 minus 2018 budget annual reserve contribution \$428,000).

**SEWER UTILITY – TABLE C**

#	Description	Surplus (Deficit)
1	Sewer Levy	(2,800)
2	Pump station servicing	42,800
3	Sewer line maintenance	31,600
4	Other	1,000
	Potential Surplus	72,600

The Solid Waste Utility is estimated to generate a surplus of \$7,100 which is attributed to the revenues received from recycling the inventory of old tires that had been collected over several years. This 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	User fees	1,800
2	Garbage Ticket Sales	(6,500)
3	Sale of Recyclables & Other Revenues	8,000
4	Other	3,800
	Potential Surplus	7,100

The Water Utility is estimated to generate a deficit of \$63,200. Similar to 2017, water consumption volumes are trending higher than budget which results in creating a forecasted deficit of \$138,000. Some of this deficit is offset by increased metered billing revenues, late payment penalty revenue and a temporary adjustment in the maintenance work-plan in order to generate some offsetting savings.

Due to the trending water consumption deficit for 2017 and 2018, the 2019 proposed budget will consider a conservative phased-in approach to increasing consumption estimates.

Currently 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	(3,200)
2	Metered billing (higher consumption)	16,100
3	Late payment penalties	15,400
4	GVWD water purchase (high consumption)	(138,000)
5	Maintenance – water lines, PRV stations, meters, hydrants	46,500
	Potential Deficit	(63,200)

#### **Capital**

The expectation is that the 2018 capital spending will be at or under budget for all departments. There are 148 capital projects in the plan, with forecasts expected to produce 79 projects completed on budget, 19 projects under budget, and 50 projects to be carried forward to 2019. 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.

The Drainage Utility includes the \$7 million Pump Station #4 refurbishment project which received approval for federal and provincial grant funding in 2017. This project is underway and will be included in the 2019 carry forwards.

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

- ☒ Corporate Excellence
 ☐ Economic Prosperity
 ☐ Community Livability  
☐ Transportation & Infrastructure
 ☐ 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.

**PUBLIC PARTICIPATION**

☒ Inform      ☐ Consult      ☐ Involve      ☐ Collaborate      ☐ Empower

Comment(s):

Providing information on the City's financial management through communication and transparency works towards 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: C. Harding, Director of Financial Services

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**ATTACHMENT(S):**

- A. Revenue and Expense Summaries for the Eight Months Ending August 31, 2018.

## CITY OF PITT MEADOWS

## General Fund Summary

## Budget Variance Reporting - to August 31, 2018

	Budget	YTD Actual	Remainder of Year Forecast	Projected Total	Projected Variance	Percent of Budget
<b>REVENUES</b>						
Grants & Contributions	(\$ 601,000)	(\$ 574,678)	(\$ 67,252)	(\$ 641,930)	\$ 40,930	107%
Licenses, Permits, Penalties & Fines	(1,375,000)	(1,326,434)	(280,890)	(1,607,324)	232,324	117%
Return on Investments	(465,000)	(168,433)	(297,000)	(465,433)	433	100%
Sale of Services	(2,759,200)	(1,657,054)	(1,113,246)	(2,770,300)	11,100	100%
Taxation	(20,300,200)	(20,382,513)	(19,508)	(20,402,021)	101,821	101%
Transfers from Reserves	(1,115,000)	(425,274)	(315,633)	(740,907)	(374,093)	66%
	(\$ 26,615,400)	(\$ 24,534,386)	(\$ 2,093,529)	(\$ 26,627,915)	\$ 12,515	100%
<b>EXPENSES</b>						
Dike Maintenance	171,800	104,410	63,800	168,210	3,590	98%
General Government Services	3,762,870	3,016,558	784,593	3,801,151	(38,281)	101%
Parks, Recreation & Cultural Services	5,810,670	3,702,683	2,082,393	5,785,076	25,594	100%
Planning Services	647,900	407,534	232,621	640,155	7,745	99%
Protective Services	7,417,660	3,144,750	3,771,337	6,916,087	501,573	93%
Taxation	10,000	15,246	6,600	21,846	(11,846)	218%
Transfers to Reserves	7,110,200	5,259,434	1,808,221	7,067,655	42,545	99%
Transportation Services	1,684,300	1,217,792	427,245	1,645,037	39,263	98%
	\$ 26,615,400	\$ 16,868,407	\$ 9,176,810	\$ 26,045,217	\$ 570,183	98%
Balance	\$ 0	(\$ 7,665,979)	\$ 7,083,281	(\$ 582,698)	\$ 582,698	



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

Budget Variance Reporting - to August 31, 2018
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	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues:						
Sale of Services	(\$ 1,975,500)	(\$ 2,029,668)	\$ 0	(\$ 2,029,668)	\$ 54,168	103%
Transfers from Reserves	(1,167,000)	(562,419)	(605,000)	(1,167,419)	419	100%
	<u>(3,142,500)</u>	<u>(2,592,087)</u>	<u>(605,000)</u>	<u>(3,197,087)</u>	<u>54,587</u>	<u>102%</u>
Expenses:						
Culvert Maintenance	55,600	42,245	19,000	61,245	(5,645)	110%
Debt Servicing	571,900	567,110	0	567,110	4,790	99%
Ditch Maintenance	344,000	169,691	125,274	294,965	49,035	86%
Drainage Maintenance	579,800	432,404	199,550	631,954	(52,154)	109%
Pump Station Maintenance	186,200	121,782	55,080	176,862	9,338	95%
Transfers to Reserves	1,405,000	849,535	605,000	1,454,535	(49,535)	104%
	<u>3,142,500</u>	<u>2,182,767</u>	<u>1,003,904</u>	<u>3,186,671</u>	<u>(44,171)</u>	<u>101%</u>
Balance	<u>\$ 0</u>	<u>(\$ 409,320)</u>	<u>\$ 398,904</u>	<u>(\$ 10,416)</u>	<u>\$ 10,416</u>	

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

Budget Variance Reporting - to August 31, 2018
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	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues:						
Sale of Services	(\$ 2,291,600)	(\$ 2,234,773)	(\$ 54,000)	(\$ 2,288,773)	(\$ 2,827)	100%
	(2,291,600)	(2,234,773)	(54,000)	(2,288,773)	(2,827)	100%
Expenses:						
Administration	222,100	148,064	74,036	222,100	0	100%
GVSDD Treatment Charge	1,385,900	1,385,888	0	1,385,888	12	100%
Hydro	18,400	12,469	5,000	17,469	931	95%
Insurance	4,200	4,124	0	4,124	76	98%
Pump Station servicing	135,500	58,711	34000	92,711	42,789	68%
Sewer Line Maintenance	97,500	21,901	44,010	65,911	31,589	68%
Transfer to Reserves	428,000	428,000	0	428,000	0	100%
	2,291,600	2,059,157	157,046	2,216,203	75,397	97%
Balance	\$ 0	(\$ 175,616)	\$ 103,046	(\$ 72,570)	\$ 72,570	

**CITY OF PITT MEADOWS**  
Solid Waste Summary

Budget Variance Reporting - to August 31, 2018
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	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues:						
Garbage Tickets	(\$ 13,000)	(\$ 6,435)	\$ 0	(\$ 6,435)	(\$ 6,565)	50%
Solid Waste Levy	(784,800)	(786,571)	0	(786,571)	1,771	100%
Transfers from Reserves	(60,000)	(60,000)	0	(60,000)	0	100%
Other	(1,500)	(9,475)	0	(9,475)	7,975	632%
	(859,300)	(862,481)	0	(862,481)	3,181	100%
Expenses						
Administration	\$ 44,100	\$ 29,400	\$ 14,700	\$ 44,100	\$ 0	100%
Collection	477,000	360,935	115,000	475,935	1,065	100%
Education	3,800	1,600	2,200	3,800	0	100%
Other	2,800	995	0	995	1,805	36%
Solid Waste	9,900	4,970	4,000	8,970	930	91%
Tipping Fees	321,700	169,280	152,304	321,584	116	100%
	859,300	567,180	288,204	855,384	3,916	100%
Balance	\$ 0	(\$ 295,301)	\$ 288,204	(\$ 7,097)	\$ 7,097	

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

Budget Variance Reporting - to August 31, 2018						
	Budget	YTD Actual	Remainder of Year Forecast	Projected to Yearend	Projected Variance	Percent of Budget
Revenues						
Licenses, Permits, Penalties & Fines	(\$ 21,900)	(\$ 24,328)	(\$ 13,000)	(\$ 37,328)	\$ 15,428	170%
Sale of Services	(4,326,500)	(2,806,128)	(1,532,400)	(4,338,528)	12,028	100%
	(\$ 4,348,400)	(\$ 2,830,456)	(\$ 1,545,400)	(\$ 4,375,856)	\$ 27,456	101%
Expenses:						
Administration	336,400	224,264	112,136	336,400	-	100%
GVWD Water Purchase	2,453,100	1,101,815	1,489,360	2,591,175	(138,075)	106%
Hydrant Servicing	43,800	24,940	11,000	35,940	7,860	82%
Hydro	7,100	3,578	2,500	6,078	1,022	86%
Insurance	1,700	1,739	-	1,739	(39)	102%
Meter Servicing	30,800	10,212	14,900	25,112	5,688	82%
PRV Servicing	67,100	35,092	18,700	53,792	13,308	80%
Transfers to Reserves	1,225,000	1,225,000	-	1,225,000	-	100%
Water Line Maintenance	183,400	132,296	31,500	163,796	19,604	89%
	\$ 4,348,400	\$ 2,758,936	\$ 1,680,096	\$ 4,439,032	(\$ 90,632)	102%
Balance	\$ 0	(\$ 71,520)	\$ 134,696	\$ 63,176	(\$ 63,176)	