

Attachment 1

Variance Analysis of the Operating Results for the Nine Months Ending 2018-SEP-30 & Projections for the Year Ending 2018- DEC-31

On a monthly basis, each City department monitors its actual financial results as compared to the Financial Plan. The following section provides a summary of the projected surplus (deficit) by department for 2018, and also includes an explanation for significant variances over \$100,000.

City Administration

The City Administration department shows year-to-date total revenues at 79% and expenditures at 68%. Based on the analysis of these accounts, at 2018-SEP-30, a net deficit of \$190,200 is projected. The majority of the surplus is outlined below:

- Human Resources - \$244,000 – Temporary position vacancies account for approximately \$232,000 of the projected surplus; legal fees are anticipated to be over budget by (\$125,000) while smaller miscellaneous variances make up the remainder.
- Parking & Regulatory Services - \$201,200 – Surplus is mainly due to the manager position being vacant for 8 months of the year. The remaining balance is made
- Parking & Regulatory Services Projects – (\$605,000) – This expected deficit relates to the costs associated with Tent City. Included in this figure is the \$301,800 that Council authorized to spend on downtown cleaning and security costs for the last quarter of the year.

Corporate Services

The Corporate Services department shows year-to-date total revenues at 78% and expenditures at 68%. Based on the analysis of these accounts, at 2018-SEP-30, a net surplus of \$367,700 is projected. The majority of the surplus is outlined below:

- Financial services and purchasing – \$149,700 – Temporary position vacancies account for approximately \$128,900 of the projected surplus, while smaller miscellaneous variances make up the remainder.
- Information technology – \$218,000 – Temporary position vacancies account for approximately \$154,000 of the projected surplus; IT consulting services and hardware maintenance are trending under budget and results in an estimated surplus of \$55,000 while smaller miscellaneous variances make up the remainder.

Community Services

The Community Services department is broken down into four (4) main areas:

Community Development

The Community Development department shows year-to-date total revenues at 102% and expenditures at 64%.

Based on the analysis of these accounts, at 2018-SEP-30 a year end surplus of \$928,900 is projected. The majority of the surplus is made up of the following items:

- Current Planning & Subdivision – \$124,300 – Temporary position vacancies account for \$100,000 of the projected surplus; \$25,000 in unspent management consulting makes up the remaining difference. A management consultant was slated to be hired for the Liquor Control Strategy project, which the department could not complete this year due to time and staffing constraints.
- Building Inspections – \$614,500 – The volume of building inspections has exceeded expectations in the first three quarters during 2018 and is projected to do the same for the rest of the year. This has resulted in a positive variance.
- Business Licenses – \$111,000 – The volume of business licenses issued has also exceeded expectations in the first three quarters and this trend is anticipated to continue throughout the year, resulting in a projected surplus.

Parks and Recreation

The Parks and Recreation department shows year-to-date total revenues at 73% and expenditures at 70%.

Based on the analysis of these accounts, at 2018-SEP-30 there is a projected year end deficit of (\$572,700). Items with variances exceeding \$100,000 are outlined below:

- Aquatic Operations – (\$385,300) – The deficit is due to higher than anticipated wage costs in maintenance and custodial services as well as lower revenues. Lower revenues are the result of changes in accounting practices in 2018, which have changed the timing of when revenues are recognized.
- Parks Operations – (\$295,500) – The deficit is due to higher than anticipated contractor and utility costs, especially in tree services, security services and water usage.

Engineering and Public Works

The Engineering and Public Works department shows year-to-date total revenues at 69% and expenditures at 67%.

Based on the analysis of these accounts, at 2018-SEP-30, there is a projected year end surplus of \$135,200. The key variances over \$100,000 from budget are:

- Drainage – \$103,700 – Some storm employees were allocated to other Public Works departments resulting in a surplus of \$37,000; Fleet expenses were over budgeted for in Cleaning resulting in a surplus of \$16,000; Materials and supplies are trending under budget in Cleaning and Mainlines resulting in an estimated surplus of \$41,000.

Utilities

The Utilities department shows year-to-date total revenues at 82% and expenditures at 83%. Based on the analysis of these accounts, at 2018-SEP-30 there is a projected year end surplus of \$544,500 in the sewer fund and \$2,679,100 in the water fund. The key variances over \$100,000 from budget are:

- Sewer – \$544,500 – Sewer revenues are anticipated to be higher than budget by \$176,000; unspent sewer contingency added an estimated \$60,000 to surplus; Savings of \$334,000 resulted as the Chase River main was not completed this year; various operating overages make up the remaining balance.
- Water – \$2,679,100 – Water revenues are projected to exceed budgeted amounts for 2018 by \$821,000; \$1,330,300 was received for the Lantzville water connection fees that was not budgeted for; three (3) temporary position vacancies account for approximately \$336,600 of the projected surplus. In addition to \$100,000 of water contingency funds that are not anticipated to be required; various operating variances make up the remaining balance.

Emergency Services

The Emergency Services department shows year-to-date total revenues at 99% and expenditures at 70%.

Based on the analysis of these accounts, at 2018-SEP-30, there is a projected year end surplus of \$1,228,400. The key variances from budget are:

- Fire – \$157,600 – Fire is anticipated to be under budget due to four (4) new recruits replacing four long-term career firefighters who retired as well as WorkSafe recoveries. This will be partially offset by higher than anticipated overtime costs.

- RCMP and Police Support Services – \$1,073,000 – The RCMP contract is anticipated to be under budget by \$500,000. Police Services is anticipated to be under budget \$583,000 due to temporary vacancies and lower than anticipated guarding costs.

Other (VICC, Economic Development, and Corporate Facilities)

The Other category shows year-to-date total revenues at 58% and expenditures at 60%.

Based on the analysis of these accounts, at 2018-SEP-30, there is a projected year end surplus of \$109,100. The key variance from budget is:

- Port of Nanaimo Centre – \$132,000 – Event operating income, which is the net result from event and catering & concession revenues less direct event and catering & concession expenses has resulted in an increase of \$198,625 at 2018-SEP-30. It is anticipated that a surplus of \$193,200 in event operating income will result for 2018. This will be offset by an increase to indirect expenses of 6.3% or (\$76,700) for the year. This, along with other revenues of \$15,700, results in an anticipated surplus of \$132,200 for the VICC. This is mainly due to unexpected conferences and meetings held at the VICC during the year.
 - The VICC has hosted 23,833 Delegate Days (2017 – 16,717) in the first three quarters of 2018. Overnight visitors that attend conferences, conventions and events are called delegates. Their impact to the local economy is measured in delegate days.
 - The VICC has had 61,495 participant days (2017 – 34,368) in the first three quarters of 2018. Other meetings or activities hosted by the VICC, as well as attending delegates, are considered Participants and attendance levels are measure by Participant Days.

General Revenues

The General Revenues department shows year-to-date total revenues at 99% and expenditures at 85%. The majority of revenues in this department relate to property taxation, which are all recorded in May and June of each year. Correspondingly, the majority of expenditures relate to tax payovers and transfers to reserve.

Based on the analysis of these accounts, at 2018-SEP-30 an estimated surplus of \$231,800 is expected. Comments on the variances from budget are as follows:

- Grants in Lieu of Taxes - \$203,300 – Monies received from a variety of other government organizations were higher than anticipated, resulting in an overall deficit.
- Investment Income - \$267,000 – A surplus is projected due to the Bank of Canada interest rate increases in the last year.
- Miscellaneous Revenue – (\$216,400) – A deficit is expected due to the following:
 - (\$112,700) – Less than anticipated revenues from interest and penalties charged on outstanding taxes;
 - (\$47,100) – due to prior supplementary property assessment adjustments, a deficit is expected as some properties had a reduction in property taxes; and,

- (\$47,400) – The City has a policy to pay interest on tax installment balances at Prime less 3%. In January 2018, the prime rate increased to 3.45% and increased again in July 2018 to 3.7%. The 2018 budget did not take into consideration this increase and has resulted in an anticipated deficit.