

DATE OF MEETING SEPTEMBER 16, 2020

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**SUBJECT OPERATING RESULTS FOR THE SIX MONTHS ENDING
2020-JUN-30**

OVERVIEW

Purpose of Report:

To present the Finance and Audit Committee with a summary of the operating results for the six months ending 2020-JUN-30.

DISCUSSION

The intent of this report is to provide the Finance and Audit Committee with a summary of the City's financial operating results for the six months ending 2020-JUN-30 as compared to the 2020 Financial Plan. The COVID-19 pandemic has significantly affected the City. Below is a summary of the key impacts along with strategic actions taken by management to reduce the impact of COVID-19:

Key Impacts:

- Increased costs for personal protective equipment (PPE), additional safety measures and the Parks Ambassador Program.
- Significant reduction in parking revenues due to travel restrictions and facility closures.
- Provincial revenue sharing losses due to the closure of casinos.
- Revenue losses at the Vancouver Island Conference Centre.

Key Actions Taken:

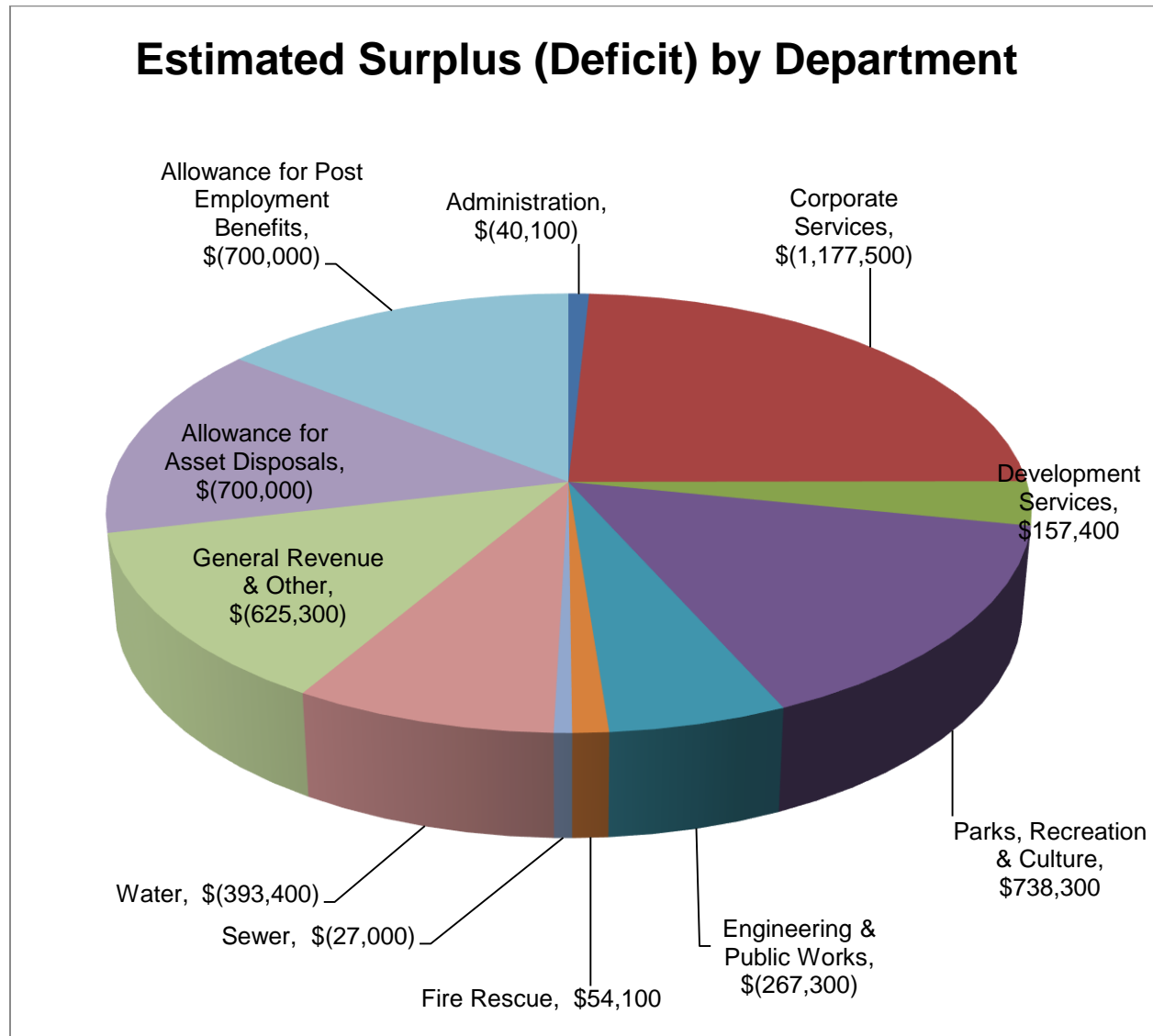
- Initiating a hiring freeze, and repositioning Parks and Recreation staff to fill vacancies and seasonal positions.
- Implementing immediate expense saving measures at the Conference Center.
- Cutting expenditures for staff travel and conferences, space rental and service contracts.

Summary of Operating Position at 2020-JUN-30:

<i>Operating Fund</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus(Deficit) at June, 2020</i>	<i>Surplus(Deficit) Projected at Dec 31, 2020</i>
General	\$ 137,536,941	\$ 74,740,837	\$ 62,796,104	\$ (1,160,400)
Sewer	14,061,796	15,378,533	(1,316,737)	(27,000)
Water	10,984,464	16,006,952	(5,022,488)	(393,400)
Surplus (Deficit)	<u>\$ 162,583,201</u>	<u>\$ 106,126,322</u>	<u>\$ 56,546,879</u>	(1,580,800)
Less:	Reserve required to fund disposals of capital assets and any associated gain or losses			(700,000)
Less:	Reserve required to fund post employment benefits			(700,000)
	Total Surplus (Deficit)			<u>(2,980,800)</u>
Funding:	Special Initiatives Reserve Funding			2,560,400
	Reduction of Transfer From Operations to Sewer Reserve			27,000
	Reduction of Transfer From Operations to Water Reserve			393,400
	Net Surplus (Deficit)			<u><u>\$ -</u></u>

The projected net operating deficit for the year is \$1,580,800. However, each year, the City is required to fund any disposals of tangible capital assets, along with any gains or losses associated with the asset disposals. During the last three years, the average amount of these adjustments has been around \$700,000. In addition, a \$700,000 reserve transfer is required to fund post employment benefits.

The projected surplus (deficit) by department, presented visually, is as follows:



Assuming an even distribution of revenues and expenditures throughout the year, the current financial performance benchmark would be approximately 50% versus budget. Where significant variances over \$100,000 have been identified, staff have provided comments in the departmental sections listed in **Attachment A**.

The summary of operating results by department is documented at a more detailed level in **Attachment B**. This report lists the total year-to-date revenue and expenditures for the functions within each department. This listing illustrates, at a glance, the overall status of an individual service as at June 30 compared to the overall budget for that service for the entire year. The variance column displays the surplus or deficit for the year for each department. Positive values increase surplus, while negative amounts (displayed in parentheses) decrease surplus.

\$2.8 million dollars of the 2019 year-end operating surplus was placed into the Special Initiatives Reserve to fund COVID-19 related deficit. As shown in the table at the bottom of **Attachment B**, \$2,560,400 of Special Initiative Reserve funding will be applied to bring the projected general operating fund deficit to zero.

Each year the financial plan includes annual amounts to be transferred from sewer and water operations to the sewer and water operating reserves. As shown in the table at the bottom of **Attachment B**, the actual transfer from both sewer and water operations will be reduced to bring the projected sewer and water deficit to zero.

SUMMARY POINTS

- The key financial impacts of COVID-19 are additional PPE costs, and reduced VICC, casino and parking revenue. Cost cutting and repositioning of staff have been key actions taken to reduce the impact of COVID-19.
- The overall projected operating deficit for the 2020 fiscal year is (\$1,580,800), which is broken down between the general operating fund at (\$1,160,400), the sewer operating fund at (\$27,000) and the water operating fund at (\$393,400).
- A reserve of \$700,000 is required to fund any disposals of tangible capital assets and any associated gains or losses on disposal, and a reserve of \$700,000 is required to fund post-employment benefits. The net projected deficit is (\$2,980,800).
- COVID-19 deficit related funding from the Special Initiatives Reserve will be applied to bring the projected general operating fund deficit to zero. The annual transfer from sewer and water operations to operating reserves will be reduced to bring the projected sewer and water deficit to zero.

ATTACHMENTS

- Attachment A: Variance Analysis of the Operating Results for the Six Months Ending 2020-JUN-30 and Projections for the Year Ending 2020-DEC-31.
- Attachment B: Summary of the Operating Results for the Six Months Ending 2020-JUN-30.

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