

ATTACHMENT A
Variance Analysis of the Operating Results
for the Six Months Ending 2020-JUN-30 & Projections for the Year Ending 2020-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 2020, and includes an explanation for significant variances over \$100,000.

City Administration

The City Administration division shows year-to-date total revenues at 37% and expenditures at 44%. Based on the analysis of these accounts, at 2020-JUN-30, a net deficit of \$(40,100) is projected which includes the following key variances:

- Human Resources – \$166,000 surplus – This surplus is due to a staff vacancy, and under spending on management consulting, instructors, travel and conferences due to COVID-19.
- Legislative Services – \$111,200 surplus – Vacancies including the Deputy City Clerk and Steno position along with under spending on space rental, conferences and hospitality has resulted in this surplus.
- COVID-19 Response Costs – (\$330,000) deficit – This deficit is the result of COVID-19 pandemic response costs including masks, sanitizer, glass panels, equipment rentals, software, hardware and security.

Corporate Services

The Corporate Services division shows year-to-date total revenues at 60% and expenditures at 52%. Based on the analysis of these accounts, at 2020-JUN-30, a net deficit of (\$1,177,500) is projected. The key variances over \$100,000 are outlined below:

- General Administration – \$250,000 surplus – This is a result of an aggregate surplus in the City's extended health and dental plan through Sun Life. The \$250,000 adjustment brings the Sun Life account to the recommended balance.
- Information Technology – \$116,500 surplus – Vacancies including the Director of IT, and a reduction in conference and travel costs has resulted in this surplus.
- RCMP Severance Expense – (\$1,511,200) deficit – A settlement was reached between Public Safety Canada and the Province of B.C. to pay RCMP members severance for voluntary resignations and retirements as of March 31, 2012. The obligation for Nanaimo is \$2,621,613 in which \$1,110,413 was previously accrued. The City's auditors have concurred that the \$1,511,200 balance owing should be recognized in the 2020 financial statements as the liability is measurable and relates to past events. The City is permitted to repay this obligation in equal installments over the next 13 years.

Development Services

The Development Services division shows year-to-date total revenues at 64% and expenditures at 39%. Based on the analysis of these accounts, at 2020-JUN-30, a net surplus of \$157,400 is projected. Areas with variances exceeding \$100,000 are outlined below:

- Permit Centre & Business Licencing – \$164,000 surplus – Business License revenue is forecasted to exceed budget by approximately \$110,000, which when combined with some wage and expense savings has resulted in this surplus.
- Bylaw Enforcement including Parking – (\$382,600) deficit – This deficit is the result of lower than anticipated parking revenues due to COVID-19. Historically, any excess parking revenues over expenses are transferred to the parking reserve to leave a net zero surplus. In 2020, COVID-19 travel restrictions have significantly reduced parking revenues, especially in both the Harbourfront and Bastion Street Parkades.
- Economic Development – \$254,000 surplus – The projected surplus is due to the vacant Manager of Economic Development position, along with reduced spending for travel and conferences.
- Building Inspections – (\$114,300) deficit – The volume of building inspections is trending lower than expected and is projected to be lower than budget by \$104,500 for the year.

Parks, Recreation and Culture

The Parks, Recreation and Culture division shows year-to-date total revenues at 22% and expenditures at 37%. Based on the analysis of these accounts, at 2020-JUN-30 there is a projected year-end surplus of \$738,300. The key variances over \$100,000 are as follows:

- Parks Operations – (\$324,000) deficit – This deficit is a result of reduced play field revenues due to COVID-19, higher snow removal costs and increased labour costs due to the redeployment of permanent staff to parks.
- Parks Operations Projects – (\$104,000) deficit – This deficit is a result of expenses incurred for the Parks Ambassadors Program that was not part of the 2020 financial plan.
- Aquatics Operations – \$1,005,000 surplus – This surplus is a result of cost savings due to pool closures in mid march due to the pandemic. It is anticipated that the Nanaimo Aquatic Center will reopen in September.
- Culture & Events – \$115,700 surplus – This surplus is the result of vacancies in the first half of the year and the refund of grants due to COVID-19 cancellations.
- Recreation Services – \$172,900 surplus – Cost savings from community centre closures in mid March due to the COVID-19 pandemic have resulted in this surplus. It is anticipated that Beban Social Centre, OWCC, and the Bowen Complex will reopen in September.

Engineering and Public Works

The Engineering and Public Works division shows year-to-date total revenues at 50% and expenditures at 45%. Based on the analysis of these accounts, at 2020-JUN-30, a net deficit of \$267,300 is projected. Areas with variances exceeding \$100,000 are outlined below:

- Engineering – \$169,900 surplus – The projected surplus is largely due to position vacancies in Traffic/Transportation and Infrastructure Planning.
- Sanitation – (\$426,800) deficit – This deficit is a result of an increase in residential collection labour due to overtime required to maintain the level of service, and re-deployed staff time to assist with cart management. In addition, tipping fees and automotive repairs are higher due to an increase in waste disposal.

Fire Rescue

The Fire Rescue division shows year-to-date total revenues at 52% and expenditures at 46%. Based on the analysis of these accounts, at 2020-JUN-30, there is a projected year-end surplus of \$54,100.

Utilities

The Utilities division shows year-to-date total revenues at 58% and expenditures at 72%. Based on the analysis of the water and sewer accounts, at 2020-JUN-30 there is a projected combined year-end deficit of \$420,400. The key variance over \$100,000 from budget is:

- Water – (\$393,400) deficit – Revenues are expected to be lower than budget due to weather conditions and the pandemic, and water expenses are higher than anticipated due to water main breaks.

Other (VICC and Corporate Facilities)

The Other division shows year-to-date total revenues at 18% and expenditures at 35%.

Based on the analysis of these accounts, at 2020-JUN-30, there is a projected year-end deficit of \$194,700. The key variance over \$100,000 is:

- VICC – (\$181,100) deficit – Revenues are significantly lower than budget as a result of the COVID-19 pandemic.

General Revenue

The General Revenue division shows year-to-date total revenues at 96% and expenditures at 68%. The majority of revenues in this department relate to property taxation, which are recorded in May and June of each year. Correspondingly, the majority of expenditures relate to tax pay overs and transfers to reserve.

Based on the analysis of these accounts, at 2020-JUN-30 an estimated deficit of \$430,600 is expected. Areas with variances exceeding \$100,000 are outlined below:

- Investment Income – \$135,000 surplus – This estimated surplus is due to higher than anticipated cash flows from property taxation.
- Provincial Revenue Sharing – (\$655,200) deficit – This deficit is due to the closure of the casino. No further revenues are anticipated for the remainder of the year.