



Merritt Information Item

FLOURISH UNDER THE SUN

To: Sean Smith, Chief Administrative Officer

From: Wayne Anderson, Director of Finance & IT

Date: October 19, 2020

Subject: 2020-Q3 Forecast and Finance Update

This is provided as information, and no resolution is required. Council may make a motion to direct staff to take particular action if they wish.

Q3 Forecast – Operating

Process & Impact on 2021 Budget

The Q3 forecast represents the best guess of the City of Merritt's year end operating results, along with the expected 2020 expenditures on approved capital projects. The resulting change in operating surplus/deficit, the projected shortfall or surplus on capital projects and the carryforward of capital budgets to 2021 all impact the forecasted year end revenue and surplus balances.

The estimates provided in this report are based upon meetings held with department managers over the past few weeks. The Q3 forecast helps to determine how Covid-19 has impacted the City's operations through increases/decreases in revenues and expenditures. The financial impact of reducing the property tax penalties, from 10% to 5%, and increased the utility discount, from 10% to 17%, is also identified in this report. These actions were taken to lessen the financial burden on citizens because of the economic downturn from Covid-19.

The Q3 forecast, the original 2020 Budget and the 2019 Operating Results will all be considered as we prepare our 2021 operating budget this fall. We will consider the continued effect Covid-19 may have on revenues and demand for services (i.e. increased RV park bookings, reduced utility demand).

Summary of Expected Operating Results

The attached "2020-Q3 – Statement of Operations" shows the increase in operating surplus of \$684,207 compared to our 2020-2024 5-year financial plan surplus of \$126,688.

The attached reports provide a high-level breakdown of variances by department or subgroups within a department:

"2020-Q3 – Management Report – Group Summary"

"2020-Q3 – Management Report – Summary by SubGroup"

Here is a summary of the major variances that have impacted our projected increase in surplus of \$684,207.

Department	Category	Variance		Covid-19	Explanation
		Revenue	Expense		
Finance	Property Tax	\$ 59,000.00			Wildfire Facility Revenue not included in Budget
Finance	PT Penalties	-\$ 40,000.00		Yes	Reduced Penalty from 10% to 5%
Finance	Contracted Services		-\$ 5,000.00		Increased use of Purchasing Consultant and Software installers/trainers
Finance	IT		\$ 11,000.00		Overall savings of \$11k due to delayed project
Transit	Contract		\$ 30,000.00	Yes	Reduced transit costs due to scaled back service
Corporate Admin	Business Licence	-\$ 13,500.00		Yes	Reduced Licencing, no penalties and fewer applications
Corporate Admin	Legal		\$ 20,000.00		Reduced legal expenses
Corporate Admin	Wages		\$ 10,000.00		Reduced wages with hiring gap
Corporate Admin	Advertising		-\$ 6,000.00	Yes	Increased Covid Communication
Council	Grant in Aid		\$ 30,000.00	Yes	Fewer events due to Covid
Council	Sponsorships		\$ 15,000.00	Yes	Sponsorships reduced due to Covid
Council	Elections		\$ 10,500.00		No election costs in 2020
Economic Dev	Advertising		\$ 10,000.00		Reduced Advertising for Economic Development
Economic Dev	Event Hosting		\$ 21,500.00	Yes	No event hosting costs
Recreation	Covid19 Tracking		\$ 20,000.00	Yes	Account to track PPE, etc. non-recoverable
Recreation	Aquatic Centre	-\$ 220,000.00		Yes	Revenue loss due to facility closure
Recreation	Civic Centre	-\$ 21,000.00		Yes	Booking cancellations
Recreation	Arena	-\$ 56,000.00		Yes	Reduced Arena activity/bookings
Recreation	CC Programs		\$ 47,000.00	Yes	Reduced staffing
Recreation	Arena Programs		\$ 5,500.00	Yes	Reduced staffing
Recreation	Aquatic Centre Programs		\$ 8,500.00	Yes	Reduced staffing
Facilities	Aquatic Building		\$ 37,000.00	Yes	Reduced Maintenance and Repairs
Facilities	CC Building		\$ 47,000.00	Yes	Reduced Maintenance and Repairs
Facilities	Arena Building		\$ 35,000.00	Yes	Reduced Maintenance and Repairs
Facilities	Claybanks	\$ 130,000.00			Increased bookings, partially due to Covid
Facilities	Claybanks		-\$ 50,000.00		Increased bookings = increased park management fees
Dev Services	Contracted Services		\$ 25,000.00	Yes	Less than planned use of contractors due to Covid
RCMP	Prisoner Costs		\$ 20,000.00		Lower prisoner costs than plan
RCMP	Costs		\$ 350,000.00		Fewer than planned officers
Fire	Suppression Costs		\$ 10,000.00		Fewer incidents
Public Works	Total		-\$ 21,000.00		Total PW Variance - \$40k relates to unplanned repair to fire truck
Water	Service	-\$ 30,000.00		Yes	Lower consumption off metered water
Water	Discounts	-\$ 16,000.00		Yes	Increase in discount percent from 10% to 17%
Water	Operating Expenses		\$ 123,000.00		Reduced operating costs, contractor costs, etc.
Sewer	Service	-\$ 40,000.00		Yes	Lower water consumption impacts sewer revenue
Sewer	Discounts	-\$ 16,000.00		Yes	Increase in discount percent from 10% to 17%
Sewer	Operating Expenses		\$ 98,000.00		Reduced operating costs, contractor costs, etc.
		-\$ 263,500.00	\$ 902,000.00		
Total Variance to Budget			\$ 638,500.00		

The sum of the items listed above that are directly related to Covid-19 is (\$137,000).

Revenue Impact	Expense Impact
-\$ 452,500	\$ 315,500

Covid-19 Impact **-\$ 137,000**

Summary of Capital Projects

See attached “Capital Budget Funded – Q3 2020 Forecast” for details on all projects included in the 2020 budget with the final project estimates, variances, and carryforward amounts. **This table provides details on “Completed” projects:**

Department/Project	Estimate - Project	Prior Year WIP	Budget 2020	Variance
Administration				
Computer Infrastructure	\$60,000		\$63,080	\$3,080
Land Purchase	\$19,526		\$19,025	-\$501
Server Replacement	\$52,000		\$50,000	-\$2,000
Administration Total	\$131,526		\$132,105	\$579
Protective Services				
EOC Equipment	\$20,276	\$18,276	\$6,694	\$4,694
Mobile Computer Aided Dispatch	\$23,182		\$23,182	\$0
Purchase of Tender	\$510,000		\$400,000	-\$110,000
Thermal Imaging Camera & Fire Hose	\$30,590		\$32,000	\$1,410
Workspace Records Management Software	\$23,500		\$23,500	\$0
Protective Services Total	\$607,548	\$18,276	\$485,376	-\$103,896
Public Works				
Alley Grindings	\$15,712		\$23,500	\$7,788
Chlorine Storage Building	\$295,000	\$1,094	\$300,000	\$6,094
Downtown Trees	\$7,810		\$10,000	\$2,190
Hook Truck Conversion	\$82,115	\$1,181	\$77,194	-\$3,740
One Ton Truck Replacement	\$69,415		\$70,000	\$585
RRFB Crosswalk Lights	\$37,917		\$64,000	\$26,083
Voght Street Phase II Design	\$150,000		\$300,000	\$150,000
Welcome to Merritt Sign Exit 290	\$10,000		\$20,000	\$10,000
Public Works Total	\$667,969	\$2,275	\$864,694	\$199,000
Recreation				
Ammonia Valve	\$8,000		\$8,000	\$0
Auditorium Paint	\$8,950		\$9,500	\$550
City Hall Renos	\$2,000		\$10,871	\$8,871
Claybanks Capital Projects	\$5,000		\$5,000	\$0
Coldwater Building Exterior Reno (Cadet Hall)	\$49,806		\$50,000	\$194
Dehumidifier Project	\$39,000		\$39,000	\$0
Development Services Reno	\$53,142	\$40,859	\$6,786	-\$5,497
Dog Pound Reno	\$19,800		\$19,800	\$0
ESS Ramp and Landscaping	\$17,000		\$17,000	\$0
Exterior Repair and Paint	\$25,000		\$25,000	\$0
Flooring Rubber	\$12,000		\$12,000	\$0
Leisure Boiler	\$46,000		\$46,000	\$0
NVAC Building Lifecycle Assessment	\$14,000		\$15,000	\$1,000
NVMA Building Lifecycle Assessment	\$26,001		\$30,000	\$3,999
Sprinkler System	\$5,500		\$5,500	\$0
Terminal Building Improvements	\$10,000		\$13,886	\$3,886
Recreation Total	\$341,199	\$40,859	\$313,343	\$13,003
Utilities				
Biosolids Loading Conveyor	\$79,200		\$79,200	\$0
Clarifier Tanks Troughs	\$109,808		\$132,000	\$22,192
Compost Screener	\$54,035		\$49,500	-\$4,535
Hydrant Replacement	\$23,170		\$25,000	\$1,830
Main Valve Replacements	\$18,000		\$25,000	\$7,000
Raise Manholes	\$10,284		\$30,000	\$19,716
Replace and Reinstall Blower Pipes	\$10,724		\$10,724	\$0
Security Fencing - Voght Street Generator	\$46,668		\$16,000	-\$30,668
Watermeter Replacement	\$14,500		\$15,000	\$500
Utilities Total	\$366,389		\$382,424	\$16,035
(blank)				
Misc Prior Year Projects	\$10,149			-\$10,149
(blank) Total	\$10,149			-\$10,149
Grand Total	\$2,124,780	\$61,410	\$2,177,942	\$114,572

Here is a summary of the projects that will carryforward to 2021:

Department/Project	Estimate - Prior Year				2020	2021	2021
	Project	WIP	Budget	Variance	Spending	Carryforward	Additional
Economic Development							
Downtown Revitalization	\$100,000		\$100,000	\$0	\$0	\$100,000	\$0
Welcome to Merritt Sign	\$12,000		\$12,000	\$0	\$12,000	\$0	\$0
Economic Development Total	\$112,000		\$112,000	\$0	\$12,000	\$100,000	\$0
Protective Services							
Fire Hall Expansion	\$2,555,000	\$95,374	\$2,163,404	-\$296,222	\$1,400,000	\$763,404	\$296,222
Protective Services Total	\$2,555,000	\$95,374	\$2,163,404	-\$296,222	\$1,400,000	\$763,404	\$296,222
Public Works							
Bridge Repairs	\$8,020		\$8,020	\$0	\$0	\$8,020	\$0
Flood Mitigation Planning	\$133,102	\$132,098	\$1,004	\$0	\$0	\$1,004	\$0
Hydro Vac Vacuum Truck	\$339,509		\$500,000	\$160,491	\$0	\$339,509	\$0
Nicola River Flood Restoration	\$490,732	\$90,732	\$400,000	\$0	\$179,265	\$220,735	\$0
Voght Street Flood Mitigation Phase I	\$2,700,000		\$3,000,000	\$300,000	\$2,300,000	\$400,000	\$0
Public Works Total	\$3,671,363	\$222,830	\$3,909,024	\$460,491	\$2,479,265	\$969,268	\$0
Recreation							
Arena Lighting and Security Cameras	\$31,640		\$24,312	-\$7,328	\$15,820	\$8,492	\$7,328
Door Security System - Fire Hall	\$5,994		\$5,994	\$0	\$0	\$5,994	\$0
Recreation Total	\$37,634		\$30,306	-\$7,328	\$15,820	\$14,486	\$7,328
Utilities							
Active Mountain Pump House Equipment	\$50,000		\$50,000	\$0		\$50,000	\$0
Grimmett Reservoir PLC Upgrade	\$30,054		\$29,832	-\$222	\$222	\$29,610	\$222
Utilities Total	\$80,054		\$79,832	-\$222	\$222	\$79,610	\$222
Grand Total	\$6,456,051	\$318,204	\$6,294,566	\$156,719	\$3,907,307	\$1,926,768	\$303,772

Projects budgeted for in 2020 that have not been awarded through an RFP/RFQ or incurred any costs in 2020 will need to be re-budgeted for 2021 (i.e. Downtown Revitalization).

See attached "Capital Template-2021 - FINAL" form that will be used this year for tracking capital requests. Changes for this year include the linking of the request to the City's master plan documents.

Q3 Forecast – Impact on Reserve and Surplus Balances

See "2020-Q3 – Forecasted Surplus" attachment for details on the projected year end surplus balances. The ending surplus balances for the general, water, sewer and transit accounts is forecasted at \$6,150,289, a decrease of \$1,451,137 from the opening balance per our audited financial statements.

The finance department will work with our auditors over the next month to revise our account structure to record and track the new reserve and surplus accounts identified in our proposed reserve and surplus policy. The goal is to bring the updated reserve and surplus policy to council in December, prior to the creation of the 2021-2025 financial plan.

2021 Budget Schedule

We are embarking on the 2021-2025 planning process with department managers. The 2020 Q3 forecast provides valuable information on our expected year end surplus balances and trends in operating revenues and expenses.

See comparison below of the 2020 budget process/timeline and the proposed 2021 process/timeline.

2020 Timeline

- October 30, 2019 Council Meeting
 - o Information on the Budget Process and Timelines
- December 10, 2019 Meeting
 - o Review of 2020 Capital Budget Requests
 - o Individual Manager presentations to Council
- January 21, 2020 Council Meeting
 - o Presentation of Draft Operating Budget
- February 6, 2020 Council Meeting
 - o Presentation of Draft 5-year Financial Plan
- February 18, 2020 Budget Open House
 - o The online survey was also launched in February
- March 3, 2020 Council Meeting
 - o Final presentation to Council prior to Tax Rate Bylaw and Financial Plan Bylaw
- May 12, 2020 Council Meeting
 - o Final reading of Financial Plan and Tax Rate Bylaws

Proposed 2021 Timeline

- November 10, 2020 Council Meeting
 - o Information on Budget Process and Timelines
- December 15, 2020 Council Meeting
 - o Reserve & Surplus Policy Recommendation
 - o Review Consolidated 2021-2025 Capital Budget Requests
 - o Timeline for follow up Budget Meetings
- January Council Meeting
 - o Review 2021 Operating Budget and Assumptions
 - o Citizen Survey Discussion
 - Survey Options/Questions
 - Staff Recommendations
 - Discussion and Direction from Council
- February Council Meeting
 - o Review of Citizen Survey Results
 - o Presentation of Draft 2021-2025 Financial Plan
- March Council Meeting
 - o Revised 2021-2025 Financial Plan
- April Council Meeting
 - o Final 2021-2025 Financial Plan
 - o 2021 Tax Rate Bylaw

- May 14, 2021 – Deadline for adoption of 5-year Financial Plan and Tax Rate Bylaws

Finance Department Quarterly Update

- Successful Tax Sale in September (zero properties for sale)
- Permissive Tax Exemptions – reviewed and bylaw adopted
- Implementing eBilling for Utilities and Property Taxes (software installed and training underway). This will be communicated to citizens with their fall utility invoice and to commercial customers over the next few months. This is a self-serve product where the customer logs in and subscribes to the service.
- Built new reports for Q3 forecast and 2021 budget cycle
- Reviewed Q3 operating and capital forecasts with managers
- Preparing for November 4th and 5th interim audit
- New “2021 Capital Budget Request” forms for 2021 (see attached) sent to department managers. There will be a management team meeting to review and prioritize the projects prior to the December 15, 2020 presentation to council.
- Advertised for part-time Grant Writer position – interviewing underway

Respectfully submitted,

**Wayne Anderson, CPA, CMA
Director of Finance & IT**

Attachments:

1. 2020-Q3 – Statement of Operations
2. 2020-Q3 – Management Report – Group Summary
3. 2020-Q3 – Management Report – Summary by SubGroup
4. Capital Budget Funded – Q3 2020 Forecast
5. Capital Template-2021 – FINAL
6. 2020-Q3 Forecasted Reserve and Surplus