



# Report

**City of Merritt**  
**Committee of the Whole**  
**December 3, 2019**

**File Number: 1870**

**To:** Scott Hildebrand, Chief Administrative Officer  
**From:** Sheila Thiessen, Director of Finance & IT  
**Date:** December 2, 2019  
**Subject:** 2019 Estimated Budget Position Report

---

## **RECOMMENDATION:**

**THAT Council receive this report for information.**

## **Background:**

The attached report (Schedule A) covers the period from January 1, 2019 to December 31, 2019 and provides a summary of the estimated financial activity incurred for 2019 in relation to the budgeted amount.

The report includes the following columns from left to right:

- 2019 Budget – Amounts as per Financial Plan Bylaw 2261, 2019
- 2019 Estimated – Estimated Costs incurred up to December 31, 2019
  - Actual costs are included to November 24, 2019, with the remainder of the year's activity being estimated.
- Percentage of Variance
  - Revenue, a negative % means that the years revenue did not meet budget.
  - Expenditures, a positive % means that there are funds remaining, this would be an operating surplus.
- Details (items to be analyzed further in this report)

## **Analysis:**

- A. **Federal Government Grants**, this is usually an annual grant for Canada Day, not received this year.

- B. **Provincial Government Grants**, we have received all the annual provincial grants, the remainder relates the grant funding for projects that are still in progress at the end of the year. Rural Dividend for example. \$150,000 of this difference is related to the Community Emergency Preparedness Funding that was applied for but not received in 2019.
- C. **Sale of Services**, this difference will be reviewed in greater detail during the 2020 budget process to ensure that our projections are accurate.
- D. **Licences, permits and fines**, there were more building permit revenues than budgeted for in 2019.
- E. **Penalties and interest on taxes**, this is lower than budget due to collection of many ongoing outstanding tax debts due to property sales and staff efforts resulting in the second year in a row where there were no properties listed in the tax sale.
- F. **Return on investments**, this amount is higher due to greater than anticipated yields on investments and maintaining balances in reserves and surpluses.
- G. **Protective Services** this variance is due primarily to lower than budgeted staffing levels and other adjustments for the RCMP contract.
- H. **Development Services** includes Planning and Economic Development and both departments have operating costs that have not been fully incurred at this point, due to timing with projects etc. The projects will be carried forward, this surplus is offset by the unreceived grant funding in the case of Rural Dividend projects.
- I. **Public Health and Welfare** this surplus is primarily related to Mosquito Control, where there was less treatment required than budgeted for.
- J. **Water Utility**, this line item will be reviewed carefully with the department to determine the differences, and adjustments will be made for 2020 moving forward.
- K. **Capital Expenditures**, refer to Schedule B attached for analysis
- L. **Transfer from prior year's surplus**, this variance is a result of both unspent operating costs and savings realized on budgeted items.
  - There is an amount incurred in the transfer from prior years surplus because when the surplus was designated for a specific project it was recorded as the project was completed.
  - The 2019 Financial plan did include transfers of prior year's surplus to cover operating expenditures in lieu of increasing taxation. The variance on this line, means that all the surplus designated was not needed to cover the net expenditures.
- M. **Proceeds from debt**, this variance is related to the Fire Hall expansion. Debt of \$300,000 has already been incurred for the Commercial Garbage Truck as budgeted and is budgeted to be incurred for the Loader and new Public Works 1-ton truck.
- N. **Financial Plan Balance Surplus (Deficit)**, this line shows a surplus of \$115,203 for all funds combined.

Other major costs of note are wages, utilities and fuel. The year-end estimated variance for each of these items is as follows:

	<b>Budgeted</b>	<b>Year End Estimate</b>	<b>Remaining</b>
<b>Wages</b>	\$5,991,406	\$5,947,757	1%
<b>Fuel</b>	206,000	203,500	1%
<b>Utilities</b>	789,245	694,871	12%

**Financial / Risk Implications:**

The City's operating costs as of November 24, 2019 have been as anticipated. The variances will be reviewed closely in the 2020 budget process to ensure that the budgeted amounts are reasonable, and any positive variances result primarily due to operational savings, not over budgeting.

With an estimated surplus balance, staff is providing Council with the option of using surplus funds to cover the cost of the purchase of the loader and new public works truck, rather than borrowing as budgeted. The borrowing rate for short term financing is 2.456%, and is a floating rate, which will change as rates increase.

If Council directs staff to not borrow the funds, a budget amendment will be made in conjunction with the budget amendment bylaw that will be coming to Council at the December 17, Regular meeting. This budget amendment bylaw will incorporate the budget amendments made by Council resolution during the year.

**Options:**

1. That Council accept this report for information only and staff will proceed with securing the borrowing for the public works equipment as budgeted.
2. That Council direct staff to amend the budget to use prior year's surplus to fund the purchases of the public works equipment.
3. That Council request further information from staff.

**Attachments:**

***Schedule A*** 2019 Budget to Actuals Estimated to Year End

***Schedule B*** 2019 Capital Project Activity Summarized

Respectfully submitted,

**Sheila Thiessen, CPA, CMA**  
**Director of Finance & IT**