



The Corporation of the District of Central Saanich

REGULAR COUNCIL REPORT

For the Regular Council meeting on Monday, August 8, 2022

Re: **2022 Q2 Financial Report**

BACKGROUND:

Regular budget reporting forms part of good financial governance and transparency. In accordance with the Community Charter, Council approves a five-year financial plan bylaw that authorizes the expenditure of funds and collection of revenues for the District's various programs. The financial plan is reviewed regularly during the year and a financial report is prepared for Council outlining budget variances and commentary on the variances. This report outlines the status of the 2022 Financial Plan as of June 30, 2022.

DISCUSSION:

Overall, operations for the first half of 2022 are aligned well within budget expectations and there are no significant variations from operating expenses (46% spent to date). Some surpluses have been realized to date due to staff position vacancies and revenues are within expectations. Individual comments to budget variances for operating and capital are detailed in the attached statements.

Revenues:

As of June 30th, overall revenues are 70% of the 2022 budget (71% in 2021). This is within expectations as property tax revenues are levied in May of each year which accounts for the majority of the District's revenue. Water and Sewer utility revenues are within expectations with larger consumption volume occurring on the 2nd and 3rd tri-annual billings in the second half of the year. Other items to note are as follows,

- Some investment returns are trending higher than expected due to interest rate increases.
- Building permits and development fees are trending higher than expected to date; however, this trend is starting to slow down in Q3.
- Gas Tax & other government transfers are expected in Q3 & Q4.
- Government capital grant funding has been approved and payments will be received when the capital projects are completed in Q3 & Q4.

If applicable, all reduced revenues due to COVID will be funded/replaced from the COVID Safe Restart Grant reserve at year-end.

Revenue collection:

As at July 4th tax collections were at 96% which is considered normal and consistent with the pre-COVID (2019) collections. No unusual trends have been experienced in 2022. Over the summer, finance staff will be working on the collection of outstanding delinquent taxes (2020) to avoid any property tax sales in September. The number of properties with delinquent taxes currently is slightly lower than prior years.

Operating Expenses:

Overall operating expenses are 46% of budget to date (43% in 2021) and are being managed within the Financial Plan. Items to note are as follows,

- Position vacancies in Engineering and Planning will contribute to modest surplus realized year to date.
- Municipal election expenses to be incurred in Q4.
- Legal expenses are trending higher due to a number of ongoing cases. The budget will be reviewed again in Q3 and year-end for allocation of the contingency budget if required.
- Most fleet expenses are trending above budget due to impacts of higher gasoline prices and repair costs (parts and supplies). In addition, due to fleet mechanics staff vacancies some repair and maintenance work has been contracted out which increases costs.
- Sections within Public Works and Parks are trending under budget to date as more seasonal work is performed in Q3.
- The Fire Dept. has recently deployed a truck and crew to assist with Provincial wildfires. This will affect their expenses and recovery revenues as in prior years.
- Projects and strategic initiatives are at 19% of budget to June 30th. A number of projects and initiatives are scheduled to be completed in Q3 and Q4.
- Water and Sewer operating costs are within expectations and comparable to prior years.

All increased expenses directly due to COVID will be funded/reduced from the COVID Safe Restart Grant reserve at year-end. A summary of COVID incremental costs will also be prepared at year end.

Capital Expenses:

Capital projects are at 7% of budget to June 30th. A large volume of capital project work is expected in the last half of the year. Most 2022 projects have completed the procurement process in Q1 and Q2 and are now getting under way.

Unfortunately, vehicle purchases are being delayed due to supply and delivery issues at most automobile dealerships. We anticipate some vehicles will not be delivered until 2023. In addition, the District is awaiting a decision on the Brentwood/Hagen Sewer Upgrade grant application submitted earlier this year.

CONCLUSION:

To date overall operating revenues are trending well and collection is consistent with prior years (pre-COVID). Overall expenses are favorable to date and are being managed within the 2022 Financial Plan. Although, less progress has been made towards the Capital projects and strategic initiatives, a larger volume of spending is expected in the second half of the year.

Respectfully submitted by:	Fernando Pimentel, Manager of Finance
Concurrence by:	Troy Ziegler, Director of Financial Services
Concurrence by:	Christine Culham, Chief Administrative Officer

ATTACHMENTS:

Appendix A - 2022 Q2 Financial Report FINAL