



THE CORPORATION OF THE CITY OF VERNON A G E N D A

SPECIAL REGULAR OPEN MEETING

Lakers Club House

7000 Cummins Road

FRIDAY, JUNE 19, 2020

11:45 AM ARRIVAL (Lunch Served)

12:00 NOON – 4:00 PM (AS REQUIRED)

1. CALL TO ORDER

AGENDA

- A. THAT the Agenda for the June 19, 2020, Special Regular meeting be adopted as presented.

2. GENERAL MATTERS

INTRODUCTION

- A. Will Pearce CAO, will provide an overview of the afternoon:
- to review progress on 2019 - 2022 Strategic Plan
 - to set 2021 priorities within the Council approved Strategic Plan
 - to review 2020 Budget Variances to date
 - to set 2021 Operating budget targets (base), including 2021 Infrastructure Renewal Program
 - other items as determined by Council

COUNCIL 2019 – 2022 STRATEGIC PLAN (to be distributed)

- B. Kim Flick, Director, Community Infrastructure and Development, will provide Members of Council with an overview of the Council Strategic Plan 2019 – 2022 to date.

THAT Council receive the progress report on Council's Strategic Plan 2019 - 2022, as presented in the report titled Council Strategic Plan 2019-2022 Update and dated June 16, 2020 and respectfully submitted by the Director, Community Infrastructure and Development.

2020 BUDGET VARIANCES (1830-02:2020) (P. 3)

- C. Debra Law, Director, Financial Services will provide an update on current status of the 2020 Budget Variances.

THAT Council receive the internal memorandum dated June 15, 2020 and titled "2020 Budget Variances as of May 31, 2020" as provided by the Director, Financial Services.

**OPEN DISCUSSION –
2021 PROGRAM AND
SERVICE PRIORTIES**

- D. Kim Flick, Director, Community Infrastructure Development will facilitate an open discussion of Council on the 2021 program and service priorities within the 2019 – 2022 Council Strategic Plan. **Note:** the focus remains on achieving Council's Strategic Plan as approved by resolution and within resources approved or to be approved by Council

THAT Council endorse the 2021 Strategic Plan priorities, as identified by Council during the Strategic Planning discussion of June 19, 2020, as follows: (to be cited by Council).

**2021 OPERATING
BUDGET REVIEW**

- E. Debra Law, Director, Financial Services, and Will Pearce, CAO will facilitate a Council discussion on 2021 Operating Budget targets for budget development.

THAT Council direct Administration to submit a 2021 Operating Budget to be within a 2% tax revenue increase (or as set by Council), excepting Recreation Services;

AND FURTHER, that Council direct Administration to include within the 2021 Operating Budget the following (service level increases OR service level decreases) to be over and above the base budget and in addition to (or reduction to) the 2% revenue increase (or as set by Council);

AND FURTHER, that Council direct Administration to continue the Infrastructure Renewal Program at the yearly incremental commitment of 1.9% and direct Administration to budget for expenditures of new revenues in the 2021 Capital Budget for Council consideration.

3. CLOSE OF MEETING



THE CORPORATION OF THE CITY OF VERNON

INTERNAL M E M O R A N D U M

TO: Will Pearce, CAO **FILE:** 1830-02:2020
PC: Mayor and Council **DATE:** June 15, 2020
FROM: Debra Law, Director, Financial Services
SUBJECT: 2020 BUDGET VARIANCES AS OF MAY 31, 2020

At the May 11, 2020 regular meeting of Council, Administration presented a memorandum titled "Revenue Projections and Fiscal Strategy" summarizing the financial challenges the City is facing in light of the current COVID-19 pandemic. The assumptions at that time were that the City would not be back in full operation until October 1, 2020. It was believed this was a realistic scenario given the unknown changing environment. Administration's strategy, as reported May 11, 2020 continues to be prudent spending for all Divisions and to defer hiring of non-essential vacant positions.

At the May 11 meeting it was reported that Administration expected business licences and building permit revenues would decline by up to \$650,000. As of May 31, when compared to 2019, the total is down \$253,000. The strategy continues to be to utilize the Development Excess Reserve to fund budget overages in Community Infrastructure and Development at year end if necessary.

Tourism counts on the Municipal Regional District Tax (MRDT) revenue to fund marketing initiatives to encourage tourists to our beautiful City. The City was able to hold off on some of those marketing initiatives, close the Visitor Information Centre and defer filling a vacant position. In May the Province provided a one-time grant of \$145,000 to assist the City with immediate operational and critical staffing costs for the May to October period – this will assist with the impact of the pandemic.

Transit services have adapted to the social distancing requirements and began collecting fares for bus transportation again on June 1, 2020. Unfortunately the busses are limited to the number of passengers they can carry and maintain social distancing. At this time the City is still looking at utilizing the Transit Expansion Reserve to fund the year end shortfall in revenues.

Since May 11, 2020 Council decided to re-instate downtown paid parking and parking enforcement as of July 1, 2020. This will assist with reducing the projected shortfall of \$405,000 from paid parking and enforcement revenues. This should also result in revenues increasing for Parking Lots which saw a sharp decline when

downtown paid parking fees were waived. The full dollar impact will not be realized until further in the year. It is unknown how many workers will continue to work from home once businesses re-open. 2020 budgeted revenues for metered, lot and Parkade parking are \$1,389,000.

The Province has indicated it will be some time before casinos will be allowed to open. The original forecast of reopening by October 1, 2020 may not be realized. As such Administration has proposed Council consider a resolution to UBCM asking the Province to consider replacing the casino revenues normally received by local governments which host casinos, and that rely on that funding in their annual budgets, by providing grants equivalent to the lost casino revenues from online gaming revenues. The memo to Council will be presented at the June 22, 2020 regular meeting.

Operations revenue losses are mostly related to Parking Lots. Once downtown paid parking is re-instated it is anticipated that these revenues will start to return to normal levels through 2021. There will be a significant shortfall in 2020. Once sports fields and parks are re-opened for use by user groups, with proper social distancing protocols in place, these fees will start to increase. For Council information, the Airport continues to be utilized by its customers at rates similar to 2019. Aircraft fuel sales, landing and parking fees remain close to budget.

Administration reported that the reconciliation of the RCMP contract will result in a reduced cost for the contract in 2020 of approximately \$907,000. Subsequent to that report, the RCMP advised that the City owes the federal government \$865,000 for retroactive severance pay. As well, UBCM advised in its weekly newsletter that local governments should be budgeting and reserving at least 2.5% of RCMP personnel costs (from January 1, 2017 onwards) cumulatively each year in preparation for the first contract settlement anticipated in 2021. Administration has estimated the cost for the City for 2017-2019 to be over \$1 million. A recommendation has been made to of Council, at the June 22, 2020 regular meeting, to transfer \$953,996 of the 2019 unexpended uncommitted balance to the RCMP Contingency Reserve for the estimated retroactive pay. This will provide for 2017, 2018 and 2019 retroactive pay. Estimated costs for 2020 (included in budget) and 2021 are \$791,262 and \$1,001,593 respectively.

Recreation Services is a shared service with Coldstream and Electoral Areas B and C. The projected revenue losses and expenditure savings reported on May 11, 2020 assumed facilities would become fully operational on October 1, 2020. We now know that the phased Restart plan will be slow and complex. Opening outdoor pools was not previously contemplated with 100% cost savings realized by not opening. Facility openings will not allow for the number of customers realized before the pandemic. There are many challenges with the Recreation budget that will require regular updates by the Director, Recreation Services. The City still maintains some recreational facility operating reserves that are available for a year end budget deficit if needed.

The City has continued with its capital re-investment plan and has many capital projects active or soon to be started. There was \$36 million worth of projects carried forward from 2019. A majority of these projects are progressing and the resulting changes in the City of Vernon landscape is evident.

As with most municipalities, the unknown issue for finance departments is whether cash flows will be enough to pay all our bills on time. The City of Vernon has placed itself in a strong financial position to manage this issue in 2020. The Province is allowing local governments to pay school taxes December 31, 2020 – this amounts to approximately \$7 million (net of homeowner grants of approximately \$10 million). We know customers registered with the City's Pre-Authorized Withdrawal (PAWS) program, the Province's deferral programs and those that have their mortgage companies remit on their behalf will pay by July 2, 2020. Tax notices were mailed out June 5, 2020. So far there has been a good response from the public to pay their taxes on time. It will not be until after the due date of July 2, 2020 that Administration will be able to determine if collections are similar to prior years.

Schedule 1 has been provided as a quick summary of variances to May 31, 2020. A review of the results to date precipitated the discussion in this report.

RECOMMENDATION:

THAT Council receive the internal memorandum dated June 15, 2020 and titled "2020 Budget Variances as of May 31, 2020" as provided by the Director, Financial Services.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daw".

Attachment – Schedule 1. Summary of Amended Budget vs YTD Actuals

Summary of Amended Budget vs YTD Actuals

Comparables are 2020 Amended Budget to YTD Actuals and 2020 YTD Actuals to 2019 YTD Actuals with Comments

As of May 31, 2020

	A 2020 Budget	B 2020 YTD	C = A-B 2020 Diff	(33%-50%) % Diff	D 2019 YTD	E = B-D Y2Y Diff	Comments
Revenues							
Administration	(100)	0	(100)	0%	0	0	
Community Infrastructure & Development	(3,382,247)	(948,058)	(2,434,189)	28%	(994,695)	46,637	Business licenses and building permits down \$253K from 2019
Tourism	(1,498,260)	(106,364)	(1,391,896)	7%	(256,788)	150,424	MRDT revenues down \$129K from 2019 due to pandemic
Transit	(3,570,375)	(853,601)	(2,716,774)	24%	(729,558)	(124,043)	Cash and ticket sales down \$119K from 2019 due to BC Transit not collecting fares
Corporate Services	(2,709,445)	(552,812)	(2,156,633)	20%	(785,668)	232,856	Parking and fine revenue down \$219K from 2019 due to no fees for April and May
RCMP Municipal Support	(581,522)	(109,871)	(471,651)	19%	(112,252)	2,381	Billing to Coldstream done annually
Financial Services - General	(10,425,220)	(1,329,564)	(9,095,656)	13%	(2,425,812)	1,096,248	2020 Budget includes casino and federal gas tax grants not received, 2019 included FortisBC lease revenue
Financial Services - Sewer	(9,612,025)	(2,295,459)	(7,316,566)	24%	(2,261,921)	(33,538)	Utilities billed quarterly - 2nd quarter billing will be July
Financial Services - Taxation	(43,137,299)	(43,101,270)	(36,029)	100%	(40,651,692)	(2,449,578)	All taxes recorded in May
Fire Rescue Services	(1,450,254)	34,478	(1,484,732)	-2%	990	33,488	FTC facility not operating, grants for projects paid when done
Human Resources	(116,255)	(43,930)	(72,325)	38%	(10,757)	(33,173)	2019 difference due to 2020 carryover
Operations - General	(8,304,105)	(1,616,608)	(6,687,497)	19%	(1,174,168)	(442,440)	Difference from 2019 related to 2020 projects
Parks	(888,470)	(101,166)	(787,304)	11%	(185,234)	84,068	Decrease in Parks booking fees, cemetery internments and liners
Utilities	(4,813,224)	(964,498)	(3,848,726)	20%	(782,770)	(181,728)	2020 Increase from 2019 due to new septic facility sales
RCMP Contract	(489,790)	(354,063)	(135,727)	72%	0	(354,063)	Traffic fine revenue paid earlier than 2019, \$136K lower than 2020 budget
Recreation Contract	(5,900,869)	(1,408,521)	(4,492,348)	24%	(1,678,789)	270,268	Recreation facilities closed Mar-May
Laker's Clubhouse	(12,852)	(2,036)	(10,816)	16%	(2,920)	884	
	(96,892,312)	(53,753,343)	(43,138,969)		(52,062,034)	(1,701,309)	
Expenditures							
Administration	908,566	343,638	564,928	38%	348,611	(4,973)	
Community Infrastructure & Development	6,075,334	1,858,879	4,216,455	31%	1,721,614	137,265	Actuals higher in 2020 due to full staff in Long Range Planning and project works
Tourism	1,498,260	429,226	1,069,034	29%	688,902	(259,676)	2020 contract expenses reduced due to pandemic
Transit	5,594,496	1,351,257	4,243,239	24%	862,010	489,247	Difference to 2019 due to timing of billings
Corporate Services	5,523,226	1,614,172	3,909,054	29%	1,740,194	(126,022)	Information Services projects delayed due to pandemic
RCMP Municipal Support	2,497,142	893,559	1,603,583	36%	893,724	(165)	
Financial Services - General	7,817,334	2,027,286	5,790,048	26%	1,284,153	743,133	Difference to 2019 due to FortisBC debt payment not required in 2020
Financial Services - Sewer	3,790,528	300,104	3,490,424	8%	215,241	84,863	Transfer to reserve done at year end
Fire Rescue Services	8,012,165	2,524,465	5,487,700	32%	2,542,801	(18,336)	
Human Resources	1,788,249	558,244	1,230,005	31%	711,122	(152,878)	2020 costs for legal and consultant fees less than 2019
Operations - General	14,325,704	3,743,072	10,582,632	26%	3,963,190	(220,118)	2020 costs lower than 2019 due to timing purchasing supplies and contracts
Parks	4,333,344	1,084,550	3,248,794	25%	940,179	144,371	Additional expenses incurred to protect workers and public due to pandemic
Utilities	10,977,053	3,495,065	7,481,988	32%	3,509,990	(14,925)	
RCMP Contract	10,156,936	0	10,156,936	0%	0	0	1st quarter bill paid in June 2020
Recreation Contract	8,387,014	2,158,735	6,228,279	26%	2,992,244	(833,509)	Facilities closed and related expenses reduced due to pandemic
Laker's Clubhouse	39,816	8,937	30,879	22%	14,256	(5,319)	
	91,725,167	22,391,189	69,333,978		22,428,231	(37,042)	
Net Revenues over Expenditures	(5,167,145)	(31,362,154)	26,195,009		(29,623,803)	(1,738,351)	