

Town of Riverview

FINANCE DEPARTMENT MONTHLY REPORT



To: Colin Smith, CAO

Prepared by: Shannon Parlee, CPA (Director of Finance)

Date: January 23, 2023

Month & Year: December 2022 & January 2023

Section 1: Operational Dashboard

Metric	Current Period	Prior Period	Annual Result	Trend
Debt Ratio	{Budget} 2022 8.05%	{Actual} 2021 9.42%	Stable	Healthy Position
Accounts Receivable (Significantly past due accounts only, i.e., 270 days+)	\$459,722 December '22	\$386,907 November '22	Balance is up month over month; however, we issue our bills quarterly, which occurred in November, therefore the balance goes back up until bills are paid. As at today (January 18 th , 2023), the balance is down to \$430k, which will continue to decline as bills are paid and the amount paid is applied to oldest aged amount, which is in this aging category.	The balance has increased but explained. Financial relief measures have ended therefore allowing us more ability to collect overdue balances (since September 1 st). Collection efforts have shown progress with the balance declining. See discussion in Section 3 on our collection efforts.
Accounts Payable Processed (Dec' 22 vs. Nov '22)	\$4,993,080 (441 Cheques)	\$5,231,470 (365 Cheques)	Higher than usual amounts in both November and December. <ul style="list-style-type: none"> Higher In November due mostly to large amounts due in that month, i.e., Debt payments due as per schedule of ~\$1.4M and also City of Moncton (~\$1.5M). 	Consistent with our understanding of billing trends and schedules of payments.

			<ul style="list-style-type: none"> Higher in December due to year end settling of many bills, such as final claims for capital projects and the release of holdbacks. We also had our scheduled debt payments of ~\$1.2M in December. 	
% Of Residential Water & Sewer bills sent electronically (November '22 vs. August '22)	19.73% (1,231 of 6,239)	19.49% (1,213 of 6,224)	Improving over time. Residential bills are sent out quarterly in February, May, August, and November. Note: Our commercial bills were issued this past month with 96 e-bills and 202 paper bills (32.2% electronic)	Update from most recent November quarterly billing. Slight increase from previous quarter. Continually showing improvement however, still plenty of progress to be made.

Section 2: Status of Department's Operational Priorities for 2022

Priority	Status
Capital Asset & Inventory Management	<p>An objective of the new Director of Finance is to provide a revamp and update to the current capital asset policy to allow for consistency between departments and the Town of Riverview on our capitalization policy. Director Parlee is currently planning to introduce stronger controls around both capital asset and inventory management, such as regular maintenance checks and inventory counts and other related controls.</p> <p>The Director of Finance and Facilities Manager have incorporated the results of the building condition assessments into the ten-year capital plan. Continued analysis, review, and discussion at the staff level and with Council will be held as needed to assess the scope of refurbishments and/or disposition of Town Recreational Facilities. The Director will continue to hold discussions re: asset condition assessment activities with each Department Director. Director Parlee is in the process of obtaining a detailed account of all assets for insurance purposes, and is working with our Facilities Coordinator, Martin Dube, to satisfy that request. This will assist as well in our ongoing maintenance of our assets. Director Parlee plans to create a committee that will form a working group to facilitate discussion and action towards the management of our assets and plans to create a committee regarding internal controls that will assist in safeguarding our assets as crime continues to rise and thus insurance costs. These plans will allow for more consistent management of the Town's assets.</p>

	<p>As costs continue to show fluctuations for factors out of our control, the Finance Department will continually track capital year to date including detailed purchases for each project. This is an ongoing function of the Finance Department to track budget vs. actual results to protect against any large overages and allow for discussion and adjustments as needed. The Finance Department will continue to monitor and address any concerns with department directors in a timely manner for capital projects that appear to be going over/under budget and the timing of those projects to allow for discussions and perhaps deferrals/changes, as needed. As new information becomes available, including funding application results, amendments to the financial projections shall be brought to Council's attention and incorporated into the long-term plan.</p>
<p>Manage the Town's key financial metrics including debt ratio, expenditure growth, tax rate, etc.</p>	<p><u>Long Term Financial Plan</u></p> <p>Director Parlee continues to monitor the financial implications of inflation and geopolitical unrest for any long-term impacts. 2023 continues to be impacted by inflationary and supply chain pressures that will be continually monitored. Our 2023 budget incorporated a 5% expectation of cost increases year over year, with, specific accounts, such as gas, oil, and diesel for example, being adjusted based on current trends and information.</p> <p><u>Borrowing Long Term Debt</u></p> <p>As we accomplish the capital plan over the next five to ten years, we must be vigilant in maintaining the debt ratio at a reasonable level. The budget for 2023 as approved, includes a debt ratio of ~9%, which is comparable to historical results. This ratio will climb in the coming years as we take on larger capital projects (Riverview Recreation Complex) and thus corresponds with higher borrowing.</p> <p>The 2023 budget includes borrowing of ~\$3.2m for General Capital and ~\$1.8M for Utility Capital. The Director will begin the process of completing the Application for Authorization to Borrow for proposed Capital Projects in February 2023. The borrowing amount that will be drawn down later in the year may be reduced or eliminated pending funding announcement for the RRC and other funding opportunities, as well as operational results.</p>

Section 3: Other Notable Developments & Highlights for Council's Attention

Financial Results Year to Date: November 2022

Staff continue to monitor departmental financial results given rising inflation and its impact vs. the 2022 budget this year. As of November month end, the Town is on track to achieve "*close to budgeted*" results for this fiscal year.

Director Parlee met with Accounting Supervisor, Cathy Molnar, to review the November financials (budget vs. actuals) prior to distribution. When the YE is complete, Director Parlee will report on the financial fiscal results, therefore this report will focus on November month end.

Highlights:

Operating (Surplus/Deficit: \$273,816)

Revenues

Revenue to November month end totalled \$92,677 over budget. The overall outlook on revenue and primary sources driving the variances are discussed below by analyzing each respective source of revenue that have a notable difference from budget 2022.

- Warrant Revenue: we have received all the warrant revenue budgeted for a total of \$27,863,649.
- Community Funding & Equalization Grant: we are scheduled for one more payment which is provided monthly, therefore \$121,502 remains to be received.
- Non-tax revenues are higher than budgeted to date by \$52,491. The main drivers are the following:
 - Revenues from our own sources were \$107k more than budget.
 - This is primarily driven by interest we are earning on cash in the bank (\$43k over budget), building permits and re-zoning (\$19.4K over budget), and Planning Commission Services (\$13.6K over budget).
 - Rinks and Arena revenue was \$113k under budget with \$109k attributed to the Dobson Arena lower rink not opening as early as planned which had a partial impact on this revenue; the rink resumed operations in November.
 - The Aquatic Centre & Pools revenue was \$23K over budget due to resuming to normal classes post-covid.
 - The Coverdale Center revenue was \$21k over budget, which is primarily driven by bar revenue which was \$15.7k over budget.

Expenditures

Expenditures to November month end are \$181,139 under budget. I will discuss by department the notable causes for the variance.

Administration (\$286,090 under budget)

Salaries and benefits across the board are coming in less than budget due to positional changes and vacancies. For example, we lost our communications officer, therefore that position was vacant until filled.

There were also some tighter costing decisions, whereby departments planned to spend less to curve inflationary and supply chain pressures. Therefore, in areas such as facilities management and communications, we see some savings.

- Public Transit expenses: \$150k under budget, which, as previously reported on, is mostly due to the \$114K grant received from RCS to assist in costs of providing public transit.
- We continue to see savings/timing differences throughout the administration expenses, with very few accounts that went over budget, except for the Long-term Debt interest and principal payments accounts. They account for \$172k over budget based on the reasons previously disclosed regarding budgeting over 15 years rather than the correct 10-year period for the asset class.
- There was \$34k savings in bank interest and charges due to cheaper fees/commission than what was budgeted for.

Fire Department (\$86,929 over budget)

- Salaries, Wages and Benefits was \$47k over budget. This is due to O/T Sickness, which was \$89k more than budget and is related to one employee. This was offset by savings in O/T training of \$22k and overtime fire call ins of \$41k (which are both difficult accounts to predict).
- Clothing and Safety was also over budget by \$16k due to positional change of our Deputy.

Engineering and Public Works (\$148,592 over budget)

- Street electricity repairs were \$20k more than budget related to rates in effect and actual usage.
- Oil, Gas and Diesel was \$39k higher due to supply chain pressures and inflation.
- Street patching was \$83k under budget due to costs in general being higher; there was a departmental decision to only do what is necessary to avoid any large cost overruns.
- Vehicle repairs and maintenance was \$22k over budget for required repairs/maintenance to maintain operations (this account can be difficult to predict, as unplanned damage requires fixing).
- Salaries: The rougher winter led to an increase in overtime (\$58k over budget), an increase in salt purchases (\$58k over budget) and an increase in the snow removal contract (\$26k over budget). These overages are partially offset by \$44k in savings in Works & Engineering regular salaries, mostly driven by less casual wages required.

Parks and Recreation (\$130,570 under budget)

- Salaries, Wages & Benefits was \$99k less than budget in total. There was \$112k less in regular salaries, \$25k less in winter program salaries, \$21k less in casual wages, and \$31k less in employee benefits. The department saw a lot of movement in employees (of note was the vacant superintendent position for a period). These savings were offset by \$66k more in overtime which is related to employee absences and a new on-call foreman.
- Oil, Gas, and Diesel: Like other departments, supply chain pressures and inflation resulted in actuals of \$44k over budget.
- Community and special events in total were \$52k less than budget to date which is the result of timing (per Director Shea, these funds will likely be utilized by year-end). There were also other smaller savings scattered throughout which were strategic department decision to offset areas impacted by cost overruns, or lack of revenue in delivering a balanced budget to year-end.

Utility (Surplus/Deficit: \$78,272)

Overall, consumption has been higher than the prior year, and there are also more units as the Town of Riverview continues to welcome more residents and commercial activity.

Revenues (\$286,661 over budget)

- Commercial water revenue was \$86k over budget. Some user usage was higher than usual and there were also new apartments built causing higher usage. Regarding Sewer and Sewer Treatment, commercial use had similar increases of \$35k and \$47k more than budget, respectively.
- Connection and service charges were \$68k more than budget due to the same reasons as above.
- Similar to the operating budget results, interest on cash in the bank was \$41k higher than budget due to market conditions.

Expenditures (\$208,390 over budget)

- Salaries overall were \$50k over budget whereas overtime was \$62k over budget. These are all allocations from general operating, therefore have collective reasonings above.
- Water maintenance was \$109k over budget mostly due to more water breaks than usual, and also two water services were installed for a few larger buildings (with the corresponding revenue related to this in water connections fees).
- Gas, Oil and Diesel was \$27k more than budget in each water and sewer due to same reasonings as the above explanations on the account.
- Vehicles repairs and maintenance was \$24k (water) and \$25k (sewer) over budget due to unforeseen repairs/maintenance required to be operational.

- Sewer pavement patching was \$33k over budget which is related to making cuts to the roads for water and sewer breaks.

Budget 2023

The budget was formally submitted and approved by the Province of New Brunswick. Communications staff will upload the new rates and budget to the Town website soon, with some information already updated. Director Parlee has been working with Ashly Barron (Communications Manager) to plan the current and upcoming financial communications on our website.

Updating our 2023 Budget Spreads is the next task. Director Parlee is working on improving the current process in place to use technology and making improved spreadsheets. Communication of the plans have been made to directors.

Cyber Renewal

Director Parlee, with assistance from Marcel LeBlanc (IT Manager), is currently working on renewing our annual cyber insurance policy, which is set to expire February 1, 2023. This will be the second year we introduced this policy which is vital in today's business environment. The renewal spawned interesting discussion around the controls we have in place and how we can build and improve upon those controls.

Long-term Borrowing

The Province recently issued debentures on our behalf in the amount of \$2,987,000 which will finance Transportation related items including roads and streets and heavy equipment over a term of fifteen years. These funds were deposited on December 5th, 2022. The Director shall begin the process of completing the Application for Authorization to Borrow for proposed Capital Projects in January/February of 2023 as noted above.

Gas Tax Fund (Canadian-Building Fund)

Under the administrative agreement on the Federal Gas Tax Fund, we received our second payment of \$708,428 on December 9th, 2022.

Inventory Count (Audit)

For the first time known, we were subject to an inventory count by our auditors. Director Parlee worked with the Public Works team responsible for inventory management, namely our manager, Geoff

Crossman, to ensure we were prepared. She held several conversations to educate staff and arrange the counts. Our auditor, Baker Tilly GMA (formerly AC Stevenson & Partners), is a national firm, therefore she expected there to be new requirements. The count went well, however, there are some improvements that are needed that Director Parlee plans to implement in coming few years. Director Parlee is also aware of a committee that she plans to revive regarding capital asset and inventory management (and to include controls) to allow all departments to communicate and come together on consistent practice to safeguard our assets and assist in operational efficiencies.

General Liability Insurance

As previously reported on, our insurance provider has requested a detailed account of all our property assets ranging from items such as the heating type to the number of floors. Director Parlee is currently working with Facilities Coordinator, Martin Dube, to gather all such information and provide it by month end. This will be valuable information for us to have as well to keep on top of the maintenance and potential areas of improvement. For example, changing heating sources to align better with environmental objectives. It will also benefit us in having a complete and accurate picture of all assets under our insurance policy and provide necessary updates. Also, it will allow us to look at the bigger picture on what added value those properties provide and thus aid in decision making regarding maintenance but also in what service and thus value those properties provide in our long-term planning.

This connects with our ten-year plan to ensure proper maintenance and upgrades to capital.

Residential Water & Sewer Collection Efforts

Warning (yellow) cards were prepared for 12 residents in January with a total balance owing to us of \$33,859.49. Despite numerous attempts, the residents cannot be reached to arrange a payment plan, or a resident has an arrangement in place but is not honouring that arrangement and is not being responsive to us contacting them. The card notes that the resident is running the risk of being disconnected due to non-payment and they must contact us to discuss and arrange payment.

We were happy to report that out of those residents, 7 have called to make payment arrangements, one paid in full, another paid half and put a plan in place for the remaining, and one we are working with as they had a house fire. Two residents continue to be non-responsive. For the two that have not responded, the next step would be to issue a red card with a disconnection date if efforts continue to not occur in our final attempts to contact them. Since issuing the red cards, in just 6 business days, we collected \$4,100 of the outstanding total, which as noted, with payment arrangements in place for 9 of the 12 residents.

We will continue to stay focused on our methods, which are working to help reduce the balance of accounts severely behind and get us back on track to pre-covid results prior to relief measures.

2022 Financial Statements and External Audit

The Finance team is very busy working on the year end financial statements in preparation for the annual external auditors. We are projecting the results to include a surplus in each of the General and Utility Funds. The auditors shall be continuing their field work on site at Town Hall during the final week of February followed with a presentation to Council in late March. As well, a summary report of 2022 financial highlights shall be prepared and issued by Director Parlee in conjunction with the financial statement presentation.