

1.5% in 2019 to 1.7% in 2020 and 1.8% in 2021¹. Core measures of inflation continue to hover at about 2%, and inflation is expected to remain close to 2% through 2020 and 2021. The Bank of Canada continues to hold the overnight lending rate at 1.75% based on current economic data.

British Columbia (Content provided by TD Economics²)

Despite a slump in housing activity that dragged into the early part of 2019, British Columbia's economic expansion is still on track for a decent showing this year. Other industries – notably non-residential construction and high-tech services – have taken up the slack left by declining housing-related spending. And with housing markets recently showing signs of firming, B.C.'s economy is anticipated to return to the top of the provincial leaderboard in 2020.

B.C.'s housing markets now appear to be turning the corner following an extended adjustment that began in early 2018. Existing home sales jumped 7% (q/q) in the second quarter and started the third quarter on even stronger footing. As a result, markets, including that of the Greater Vancouver Area, are now roughly in balanced territory. This performance, combined with a lower-than-expected borrowing rates, have prompted an upward revision to our sales and price forecasts, though only moderate in light of still-weak affordability.

British Columbia recently lost its shine as the holder of the country's lowest unemployment rate to Quebec. Still, the province's labour markets remain healthy by virtually all measures. Job growth is running at a strong 3.4% (year-to-date y/y), wages are rising at a solid 4.2% y/y rate and the job vacancy rate remains the highest in the country. This, alongside a modest recovery in housing markets, will help support solid household spending in the near term.

We remain constructive on prospects for non-residential construction activity. B.C. topped the country this year in terms of growth in capital investment intentions. Moreover, the value of non-residential building permits (namely commercial office space, retail complex buildings, and institutional buildings) is up 50% (ytd y/y), while figures on monthly construction investment show a corresponding surge in nominal and real non-residential structures. Final investment decisions on large-scale investment projects, including LNG Canada and the associated pipeline, are poised to contribute positively to growth over the longer term.

Despite these growth tailwinds, B.C.'s export-oriented industries on the whole are likely to face a challenging environment in the coming quarters amid moderating growth in China, uncertainty linked to elevated trade tensions, and the unresolved issues within its forestry sector.

Regional District of Nanaimo

The positive economic indicators for the Regional District of Nanaimo (RDN) continue, with the exception of the housing resale market where the market has transitioned from one favouring sellers to a more balanced market that in some areas favours buyers. The RDN issued 202 building permits in the third quarter vs. 195 in 2018. Average single-family dwelling prices for September 2019 at \$569,667 in Nanaimo and \$618,565 in Parksville/Qualicum are down -2% and up 7% respectively over September 2018; additionally, the number of sales is down in Nanaimo by -7% and up 33% in Parksville/Qualicum³.

The unemployment rate of 4.1% for Vancouver Island/Coast has not changed from last quarter and remains below the 4.8% provincial rate (increased from 4.3% last quarter), which was the

¹ Bank of Canada Monetary Policy Report, October 2019

² TD Economics Provincial Economic Forecast (September 19, 2019)

³ Vancouver Island Real Estate Board Single Family Home Average Sales Price, Sep 2019

second lowest provincial rate in Canada (after Quebec at 4.7%) during the month of September⁴. BC Ferries September 2019 Year to Date Vehicle and Passenger traffic increased at Departure Bay by 0.89% and 0.5% respectively and decreased at Duke Point by -0.89% and -2.09% from September 2018⁵.

There are a number of factors that will impact the Canadian, BC and Vancouver Island economies in 2019 and forward including interest rate changes, the Canadian dollar fluctuations, climate change, trade agreement battles and global politics. These areas have had some negative effects on the Island economy; however, at this time, BC and Vancouver Island are expected to continue to show growth.

Overall Summary by Division (Attachment 2)

The Overall Summary by Division provides an overview of the year-to-date results at a divisional level.

Capital Accounts

Overall capital spending is at 33% of budget due to the timing of capital projects, in particular the \$31.5 million allocated for 2019 to the secondary treatment project at the Greater Nanaimo Pollution Control Centre for which the construction is currently underway. The timing of capital projects also impacts professional fees (38%). Capital projects use a drawdown accounting approach where grant revenues and transfers from reserves and Development Cost Charge revenues are recorded when project expenses are incurred which in turn impacts transfers from reserves (11%), capital grant revenues (8%), and new borrowing (76%). Other major capital works underway or beginning in 2019 are the Nanoose Bulk Water Joint Venture project, design work for the French Creek Pollution Control Centre, San Pareil Water Treatment upgrades, Chase River Pump Station and Forcemain upgrades, Mount Benson Parking Lot construction, Meadowood Community Recreation Centre construction and the design work for Dashwood Volunteer Fire Hall replacement and Huxley Skatepark.

Operating Accounts

Total operating revenues are at 76% of the budget, with Building Inspection operating revenues at 90% of the budget and Solid Waste operating revenues at 78% of the budget.

Operating expenditure accounts are at 60% or more of budget other than professional fees (38%) (impacted by capital as noted above) and program costs (55%). Program costs reflect the Drinking Water/Watershed Protection rebate programs in Regional & Community Utilities (36%) and the Green Buildings rebate programs in Strategic & Community Development (14%) which are currently underway and will be fully allocated by the year-end.

Expenditures for Debt Interest (60%) and Debt Principal (63%) are lower than budget because of the timing of debt payments made on behalf of municipalities and the Vancouver Island Regional Library.

Transfers to Reserve (100%) approved in the annual budget are completed and recorded in August when tax revenues are received from the Province and the municipalities.

⁴ Statistics Canada, Labour Force Survey, September 2019, The Daily, October 11, 2019

⁵ BC Ferries, Traffic Statistics System Total Vehicle and Passenger Counts by Route for Sep 2019

Total operating expenditures are \$80 million or 72% of budget, which reflect the items discussed above and those in Attachment 1.

Summary of Operating Results by Department (Attachment 3)

The Summary of Operating Results by Department lists the total year-to-date revenues and expenditures for services within each organizational division at September 30. The majority of the variances are due to the timing of capital and operating projects and the related revenue accruals.

Contract Awards

During the third quarter, the following contracts (greater than \$100,000) were awarded by the Regional District of Nanaimo totaling over \$3,434,921.

Date	Description	Awarded Vendor	Awarded Amount (excluding taxes)
August 2019	Curbside Garbage & Recycling	Waste Connections	\$3,200,000
September 2019	Asset Replacement Cost Study	Urban Systems	\$130,000
September 2019	Whiskey Creek Road Access Construction	IWC Excavation	\$104,921

ALTERNATIVES

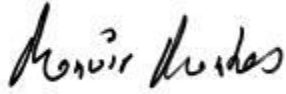
1. That the Financial Report for the period January 1, 2019 to September 30, 2019 be received for information.
2. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS

There are no significant variances impacting the overall budget for the period ending September 30, 2019. Capital projects are ongoing and all RDN services are forecast to be within or under budget for 2019.

STRATEGIC PLAN IMPLICATIONS

Quarterly financial progress statements provide information to identify budget trends and to allow for improved financial planning. This directly supports the Board governing principles to “Be Transparent and Accountable” and to “Show Fiscal Restraint” through prudent use of tax dollars and to deliver the services expected by residents of the Region as cost effectively and economically as possible.



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November 12, 2019

Reviewed by:

- J. Bradburne, Director of Finance
- D. Wells, General Manager, Corporate Services
- P. Carlyle, Chief Administrative Officer

Attachments:

1. List of variances for September 30, 2019 quarterly reporting
2. Overall Summary by Division September 30, 2019
3. Summary of Operating Results by Service September 30, 2019