

still the uncertainty surrounding the future of the North America Free Trade Agreement (NAFTA) that is clouding the economic outlook.

British Columbia²

B.C.'s economy remained on fire in 2017, with growth likely surpassing the 3% mark for a fourth straight year. Although growth in the labour force benefitted from strong inflows of migrants, job market conditions continued to tighten, as evidenced by a pickup in wage gains as the year came to a close. In turn, rising household incomes, combined with wealth effects from past home price gains, underpinned consumer spending.

Strength in the province remained broad based, as manufacturing, wholesale trade and exports have also advanced at a solid clip. Despite the tariffs implemented on softwood lumber – which Canada is in the midst of disputing – B.C.'s lumber industry was supported by robust U.S. demand and lumber prices which shot up to record levels.

Much of this momentum is expected to carry into 2018, although construction is likely to provide some offset. Indeed, construction has been the weak spot over the past year, with non-residential building construction contracting and housing starts cooling off following a surge in activity in 2016. Going forward, more of the same is likely in store, as capital spending intentions point to a modest drop in non-residential construction and more outsized double digit declines are expected in homebuilding activity as it returns to a more sustainable level.

Regional District of Nanaimo

The positive economic indicators for the Regional District of Nanaimo (RDN) continue with 166 building permits issued by the RDN in the first quarter vs. 130 in 2017; however, growth is predicted to slow somewhat over 2018. The impacts of the new foreign buyer's tax and the speculation tax contained in the BC Budget, as well as the revised mortgage stress test rates are expected to impact the housing markets across Canada. The Canadian Real Estate Association has reported that the volume of national home sales sank to the lowest level in more than five years in April, falling by 13.9 per cent from the same month last year. In the Nanaimo area, unit sales decreased 11% from 137 in April 2017 to 122 in April 2018 and in the Parksville/Qualicum area, unit sales increased by 3% from 73 to 75. The national average sales price decreased by 11.3 per cent year-over-year; however, as of April the Vancouver Island Real Estate Board is still reporting an 11% increase in average sales prices for the Nanaimo (\$553,352) and 14% in Parksville/Qualicum areas (\$611,880)³. Vancouver Island demographics positively impact the RDN housing market because of the number of retirees who move here mortgage free.

The unemployment rate on Vancouver Island for April 2018 of 5.2% is slightly above the Provincial rate of 4.9%, which was the lowest in Canada during the month⁴. BC Ferries March 2018 Year to Date Passenger and Vehicle traffic are up 3.5% and 3.0% at Departure Bay and 6.2% and 7.1% at Duke Point compared to 2017.⁵

² TD Economics Provincial Economic Forecast (March, 2018)

³ Vancouver Island Real Estate Board Monthly Statistics, April 2018

⁴ BC Stats, Labour Force Statistics Highlights, April 2018

⁵ BC Ferries, Traffic Statistics System Total Vehicle and Passenger Counts by Route for March 2018

There are a number of factors that will impact the Canadian, BC and Vancouver Island economies in 2018 and forward including federal and provincial regulations, interest rate changes, the Canadian dollar fluctuations, trade agreements and global politics. However, at this time, BC and Vancouver Island are expected to continue to show growth, likely slower growth than was experienced in 2017.

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 7% of budget due to the timing of capital projects, in particular the \$43 million allocated for 2018 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 (8%). 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 (3%), capital grant revenues (4%), and new borrowing (17%). Other major capital works underway or beginning in 2018 are the Nanoose Bulk Water Joint Venture project, the Bowser Village sanitary sewer project, design work for the French Creek Pollution Control Centre, San Pareil Water Treatment upgrades, the Landfill gas collection system expansion and the design work for Anders Dorrit Community Park and Huxley skatepark.

Operating Accounts

Total operating revenues are at 22% of the budget, with Building Inspection operating revenues at 30% of the budget and Solid Waste revenues at 27% of the budget. Regional & Community Utilities revenues (22%) will increase after the first utility services billings which occur at the end of May.

Operating expenditure accounts are at 20% or more of budget other than professional fees (8% impacted by capital as noted above), community grants (2%) and program costs (15%). Community Grants (2%) reflect the timing of grants to various organizations which will be disbursed fully over the summer and the fall. Program costs reflect the Drinking Water/Watershed Protection rebate programs in Regional & Community Utilities (13%) which are currently underway and expected to be fully allocated by the year-end. Recreation and Parks program costs at 11% are incurred predominantly in the spring and summer when most children and youth programming is completed.

Expenditures for Debt Interest (18%) and Debt Principal (10%) are lower than budget because of the timing of debt payments made on behalf of municipalities.

Transfers to Reserve (1%) approved in the annual budget are completed and recorded in August when tax revenues are received from the Province and the municipalities.

On a consolidated basis total operating expenditures are \$20 million or 20% of budget which reflects 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 March 31. The majority of the variances are due to the timing of capital and operating projects and the related revenue accruals.

Contract Awards

During the first quarter, the following three contracts (greater than \$50,000) were awarded by the Regional District of Nanaimo totaling over \$438,797.

Date	Description	Awarded Vendor	Awarded Amount
March.2018	Fire Department Breathing Air Compressors – Coombs- Hiller and Nanoose Bay	Aquatech West	\$ 86,797
March.2018	Floodplain Mapping	Ebbwater Consulting	\$202,000
February.2018	Consulting engineering services for the Wastewater Services department for various operational and small capital projects	Koers Engineering	\$150,000

ALTERNATIVES

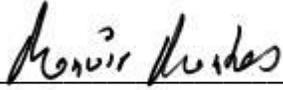
1. Receive the financial report for the period January 1, 2017 to March 31, 2018 for information.
2. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS

There are no significant variances impacting the overall budget for the period ending March 31, 2018. Capital projects are on-going and all RDN services are forecast to be within budget for 2018.

STRATEGIC PLAN IMPLICATIONS

Quarterly financial progress statements provide information to identify both positive and negative 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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May 23, 2018

Reviewed by:

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- D. Wells, General Manager, Corporate Services
- P. Carlyle, Chief Administrative Officer

Attachments

1. List of variances for March 31, 2018 quarterly reporting
2. Overall Summary by Division
3. Summary of Operating Results by Service