

economy along with concerns about trade actions are having some impact on the Canadian dollar; however, the Bank of Canada indicates these impacts are factored into the projected 2% (GDP) growth rate.

British Columbia²

B.C.'s economy grew at an eye-popping 3.9% rate in 2017, capping a tremendous four-year stretch for the province. Nearly every major industry recorded gains, paced by a 10% surge in construction output. Production was weaker in some resource-based sectors. Still, these account for a relatively small portion of GDP. 2018 GDP is forecast at 2.4%.

While B.C.'s economy was on fire in 2017, this likely marked the high point for growth. Several indicators point to a cooling in activity in recent months. Fulltime job growth has gone from being off the charts to merely decent. At the same time, wage growth is picking up significantly. Ongoing job growth and rising wages should ensure continued healthy household spending going forward, though 2017's spending spree will be a tough act to follow.

Home sales are significantly lower year-to-date, slammed by the recent backup in interest rates, the B-20 implementation, and a litany of provincial measures. Additional near-term downward pressure is likely as provincial policies continue to weigh, although markets should stabilize in the latter part of the year. Notably, the B.C. government eased up on the new housing speculation tax amid public backlash, lowering the rate faced by Canadians and B.C. residents and applying it less broadly. Weaker housing demand should result in a slower pace of housing construction, as builders' pullback after two extremely busy years. However, solid population growth and an ultra-low supply of unsold inventories should limit the extent of the decline. In the non-residential sector, the on-going Site C dam project will continue to support spending.

Exports were flat in the first quarter relative to their year-ago level, weighed down by energy and forestry products, with the latter contending with U.S. tariffs on softwood lumber. Ultimately, firm U.S. and Chinese demand should allow exports to keep their head above water during the next few years, although recently imposed tariffs on aluminum products by the U.S., if maintained, should weigh on related shipments.

Regional District of Nanaimo

The positive economic indicators for the Regional District of Nanaimo (RDN) continue with 680 building permits issued by the RDN in the second quarter vs. 718 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 impacting housing markets somewhat. In the Nanaimo area, unit sales decreased 28% from 151 in July 2017 to 109 in July 2018 and in the Parksville/Qualicum area, unit sales decreased by 30% from 94 to 66. As of July, the Vancouver Island Real Estate Board is still reporting an 8% increase in average sale prices for the Nanaimo (\$565,388) and 17% in Parksville/Qualicum areas (\$621,305)³. Vancouver Island demographics positively impact the RDN housing market because of the number of retirees who move here mortgage free. The BC Real Estate Association is forecasting a decline of 9% for 2018 residential sales in BC.

² TD Economics Provincial Economic Forecast (March, 2018)

³ Vancouver Island Real Estate Board Monthly Statistics, July 2018

The unemployment rate on Vancouver Island for June 2018 of 4.9% remains strong and is below the Provincial rate of 5.2%, which was the lowest in Canada during the month⁴. Although BC Ferries June 2018, year-to-date passenger and vehicle traffic declined by -2.5% and -2.5% at Departure Bay; it increased by 4.2% and 4.9% at Duke Point compared to 2017 which continues to indicate strong demand for the Island's tourism sector.⁵

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, although 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 20% 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 (19%). 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 (6%), capital grant revenues (51%), and new borrowing (32%). 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 Park Skatepark.

Operating Accounts

Total operating revenues are at 52% of the budget, with Building Inspection operating revenues at 84% of the budget and Solid Waste revenues at 56% of the budget. Total operating revenues in Regional and Community Utilities (55%) reflect the first utility services billing completed at the end of May which includes full-year revenue for garbage and recycling.

Operating expenditure accounts are at 40% or more of budget other than professional fees (19% impacted by capital as noted above), community grants (2%) and program costs (29%). 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 (37%) and the Green Buildings rebate programs in Strategic & Community Development (28%) which are currently underway and will be fully allocated through the fall and winter. Recreation and Parks program costs (33%) are impacted by the timing differences in recording expenses for summer community and youth grant programs.

Expenditures for Debt Interest (42%) and Debt Principal (44%) are lower than budget because of the timing of debt payments made on behalf of municipalities and the Vancouver Island Regional Library.

⁴ BC Stats, Labour Force Statistics Highlights, June 2018

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

Transfers to Reserve (2%) 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 \$40 million or 40% 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 June 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 second quarter, the following contracts (greater than \$50,000) were awarded by the Regional District of Nanaimo totaling over \$3,367,703.

Date	Description	Awarded Vendor	Awarded Amount
April 2018	French Creek Pollution Control Centre Digester Cleaning	Walco Industries	\$68,039
April 2018	Landfill Skid Steer	Westerra Equipment	\$75,712
April 2018	Emergency Management Consultant - Risk Assessment	CCEM Strategies Ltd.	\$141,300
April 2018	Anchor Way Water Main Replacement	Windley Contracting Ltd.	\$262,710
May 2018	Wastewater Services - Liquid Aluminum Supply	Chemtrade Chemicals Canada Ltd.	\$300,560
May 2018	Wastewater Services department on call electrical work	Shaw Electrical	\$600,000
May 2018	Landfill Compactor Loader	Marcel Equipment	\$580,000
May 2018	Coombs to Parksville Rail Trail Improvements – Additional Work	Stalker Excavating	\$70,000
May 2018	Church Road Transfer Station Hauling	Magnum Disposal	\$680,000
June 2018	Chase River Forcemain Engineering Design	CH2M Hill Canada Ltd.	\$199,682
June 2018	Wastewater Services - Biosolids Transportation Services	DBL Disposal	\$162,000
June 2018	Coombs-Hiller Fire Protection SCBA equipment	Guillevin International	\$227,700

ALTERNATIVES

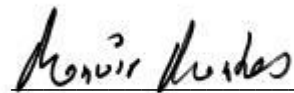
1. Receive the financial report for the period January 1, 2018 to June 30, 2018 for information.
2. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS

There are no significant variances impacting the overall budget for the period ending June 30, 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 June 30, 2018 quarterly reporting
2. Overall Summary by Division June 30, 2018
3. Summary of Operating Results by Service June 30, 2018