

July 23, 2014

Spending restraint and strong revenues generated surplus for City

The City of Campbell River ended 2013 with a surplus of \$2,006,672 – approximately three per cent of the City’s operating budget – that reflects a combination of stronger than anticipated revenues and general spending restraint.

“Our financial outlook is much better than expected, a sign that Campbell River has weathered the financial challenges of the past six years. We are now seeing investor confidence in our community,” says Councillor Andy Adams, who holds the finance portfolio for City Council. *“In particular, it’s very good news that the high value of building permit revenues – \$182,000 more than expected – reflects a positive business environment.”*

“Prolonged, unforeseen staff vacancies were the single largest contributor to the 2013 surplus, amounting to \$678,000, but at a cost,” Adams says. *“The demand for experienced, skilled staff between local governments is extremely competitive and a number of our well-trained staff have been recruited to move elsewhere. We are also finding it difficult to fill positions as many local governments throughout B.C. and Canada are challenged by the increase in retirements, creating a shortage of skilled people available to fill positions. The savings provided by these vacancies were only a short-term gain because having the remaining staff overloaded is not a sustainable situation.”*

“The City had unexpected and exceptional savings in 2013, including \$224,000 from the RCMP contract and \$143,000 in interest payments from the Municipal Finance Authority,” says city manager Andy Laidlaw. *“Also, all departments continue to be fiscally prudent, and a number finished the year under budget.”*

“While significant in absolute dollars, the size of the surplus is relatively modest in comparison to the total budget, and cautious financial management means always planning for a modest surplus to meet our requirements for a balanced budget under the Local Government Act,” says Al Kenning, the City’s acting general manager of corporate services.

Council authorized the following transfers from this surplus:

- Snow and ice control reserve: \$56,000 (to cover bad weather years)
- Uninsured liability and legal reserve: \$82,000 (in case of successful claims against the City)
- Employee sick and vacation leave reserve: \$378,000 (as recommended by auditors)

As per Council’s policy, the 2013 remaining surplus of \$1,490,672 was transferred to the Financial Stabilization Reserve. The balance in the Financial Stabilization Reserve is \$2,020,653 (after 2014 commitments). Distribution of funds from this reserve will be considered as part of the 2015 Financial Plan deliberations.

“Many of the elements that contributed to the surplus were not, and could not have been anticipated, and staff always take a conservative approach in making projections to ensure we have sufficient revenues to operate according to the budget that Council has adopted.” Adams sums up. “As the City’s auditor stated during the 2014 financial planning meetings, planning for a modest surplus is required to bridge the timeframe from when the fiscal year starts on January 1 to when the majority of revenues are received through property tax payment in July. The bottom line is that this is very good news for Campbell River.”

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