



## **The Corporation of the Town of Tecumseh**

### **Financial Services**

**To:** Mayor and Members of Council

**From:** Tom Kitsos, Director Financial Services & Chief Financial Officer

**Date to Council:** October 22, 2019

**Report Number:** FS-2019-13

**Subject:** Budget Variance Report – August 31, 2019

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### **Recommendations**

It is recommended:

**That** Financial Services Report #FS-2019-13, Budget Variance Report – August 31, 2019, **is received.**

### **Background**

All departments have reviewed August year-to-date results in order to identify and report on variances from budget. This analysis looks at both operating and capital budgets.

Directors were also asked to provide year-end projected results to determine if we expect to be in a surplus or deficit position at the end of the year.

### **Comments**

#### **Operating Fund**

The 2019 August Variance analysis projects a year-end surplus of \$63,000 (Tax Supported surplus \$309,000 and Rate Supported deficit \$246,000).

It is important to note that the projections are based on a number of estimates that can vary significantly prior to year-end.

In formulating estimates where there is a range of expected results, Administration used the lower end of the range in order to be conservative in our projections. Significant items of note include:

<b>Budget Item</b>	<b>Amount</b>
Council – Wages and benefits projected to be under budget due to lower than anticipated increases and health enrollment numbers.	(51,000)
Corporate Shared – Supplementary taxation revenue is expected to be under budget due to less than anticipated assessment growth.	60,000
Corporate Shared – Ontario Municipal Partnership Fund (OMPF) grant revenue unfavourable due to a decrease in allocation.	8,000
Corporate Shared – Ontario Specific Grants showing favourable variance due to receipt of OCLIF cannabis grant.	(24,000)
Corporate Shared – Provincial Offences Act (POA) fines revenue trending lower than budget.	30,000
Corporate Shared – Bank Interest is projected to be greater than budget by 287,000. Excess is transferred to reserve, therefore no net impact.	0
Corporate Shared – Transfer from reserve projected to be less than budget due to lower insurance premiums.	29,000
Corporate Shared – Building Maintenance trending greater than budget due to HVAC services & air quality assessment.	6,000
Corporate Shared – Miscellaneous Service expected to come in under budget as the tax roll review was suspended pending in-house analysis. Reduces the corresponding transfer from reserve, so no net impact.	0
Corporate Shared – Tax write-off expense under budget due to lower assessment appeal activity. Larger favourable variance by year end possible.	(82,000)

Budget Item	Amount
Corporate Shared – Deficit forecast reflects the \$761,048 allocation of the 2018 surplus, which is offset by an opening surplus adjustment in the financial statement.	0
CAO – Overall wages and benefits over budget due to CAO retirement.	11,000
CAO – Contracted fundraising coordinator secured to oversee the building of the fundraising committee and program. Offset by a transfer from Tax Rate Stabilization reserve, so no net impact. (PRS-2019-12)	0
ICS – Projecting \$14,000 overall under budget due to small favourable variances in several accounts.	(14,000)
Financial Services – Wages and Benefits projected to be under budget due to temporary position vacancies and salary gapping. Retirement payout less than budget thereby reducing the corresponding Transfer from Reserve.	(121,000)
Financial Services – Professional Fee – Other expected to show variance due to policy review.	15,000
Corporate Services and Clerk – Computer Support/Software projected to be greater than budget due to webcasting and associated training.	14,000
Corporate Services and Clerk – Professional Fee - Legal anticipated to come in above budget due to a couple of ongoing legal matters.	6,000
Corporate Services and Clerk - Professional Fee - Other projected to come in under budget due to Integrity Commissioner code of conduct consultation and meeting investigations not anticipated.	(9,000)
Human Resources – Professional Fee – Legal expected to show unfavourable variance due to various employment matters.	43,000
Fire – Wages and Benefits projected to be under budget due to temporary position vacancies and salary gapping.	(9,000)

<b>Budget Item</b>	<b>Amount</b>
Fire – Gasoline anticipated to be under budget due to lower usage first eight months.	(5,000)
Fire – Dispatch expense will show favourable variance due to reduction in monthly charge for radios.	(12,000)
Fire – Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(14,000)
Police – Revenues projected to come in over budget due to a greater number of alarm registrations and parking fines.	(9,000)
Police – Contracts showing favourable variance reflective of unused contingency for contract reconciliations.	(12,000)
Building – Permit fees lower than expected due to delayed construction of midrise buildings.	58,000
Building - Wages & Benefits are projected to be favourable due to temporary position vacancy.	(25,000)
By-Law Enforcement – Wages and Benefits projected to be favourable due to temporary position vacancy.	(10,000)
By-Law Enforcement – Maintenance Service projected to be greater than budget due to enforcement costs (\$18,000), largely offset by recoveries (16,000).	2,000
Animal Control – Animal control costs projected to be unfavourable due to the receipt of delayed billings from Lakeshore Dog Pound.	23,000
Roadways – Culvert/Driveway Permits projected to be favourable than budget due to greater than estimated number of permits issued.	(9,000)

<b>Budget Item</b>	<b>Amount</b>
Roadways – Wages and Benefits projected to be unfavourable largely due to staff overtime.	25,000
Roadways – Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(20,000)
Roadways – Vehicle Parks and Service showing unfavourable variance due to a few large repairs (transmission failure and replacement, cooling repair, vehicle overhaul, etc.).	39,000
Roadways – Roadside Maintenance expected to be under budget due to work done in-house.	(10,000)
Winter Control – Salt projected to be below budget assuming average weather in November/December.	(9,000)
Street Lighting – Maintenance Service is expected to come in over budget due to additional underground faults and pole repairs.	18,000
Street Lighting – Hydro rates came in less than budget estimates resulting in a favourable variance for Utilities – Hydro and Water.	(27,000)
Transit – Lower Transfer from Lifecycle Reserve required (\$8,000) due to under expenditures across various accounts; no net impact.	0
Storm Sewer System – Miscellaneous Revenue from electricity sales to grid expected to be over budget. Offset by Transfer to Reserve so no net budget impact.	0
Storm Sewer System – Contracts projected to be unfavourable due to earth berm construction undertaken for flood preparation.	33,000
Storm Sewer System - Materials and Supplies anticipated to be over budget due to flooding supplies needed over and above what is required for general operational needs.	34,000

<b>Budget Item</b>	<b>Amount</b>
Storm Sewer System – Electricity costs projecting to be under budget due to lower commodity costs.	(12,000)
Storm Sewer System – Professional Fee – Engineer expected to show unfavourable variance due to the engagement of consultants to review potential issues associated with high lake levels.	6,000
Storm Sewer – Insurance expense under budget due to much lower premiums resulting from the Insurance RFP.	(8,000)
Storm Sewer System – Computer Support/Software projected to be favourable due to delay in a change of system.	(5,000)
Garbage Disposal – Contracts is projected to be favourable due to lower garbage volumes than anticipated.	(30,000)
Parks – OPA Green initiatives grant confirmed.	(10,000)
Parks – Wages & Benefits projected to be favourable due to temporary position vacancies & overall actual hours trending lower than estimated.	(71,000)
Parks – Gas projected to be unfavourable due to usage and carbon tax.	8,000
Parks – Vehicle Parts and Service slightly over budget due to engine repair.	5,000
Parks – Utilities – Hydro and Water are projected to be favourable due to the decrease in commodity costs.	(10,000)
Parks – Insurance expense under budget due to lower premiums resulting from the Insurance RFP.	(7,000)
Parks Buildings – Wages and Benefits projected to be favourable due to lower actual hours for students than budgeted.	(10,000)

Budget Item	Amount
Arena – Ice rentals projected to be unfavourable due to less ice-time scheduled by two major user groups as well as an overall decrease in rentals.	15,000
Arena – Advertising revenue projected to be greater than budgeted by \$7,000. Excess is transferred to reserve, therefore no impact.	0
Arena – Benefits projected to show favourable variance due to slightly lower rates.	(8,000)
Arena – Utilities – Hydro and Water are projected to be favourable due to the decrease in commodity costs as well as cost savings related to the switch to LED lighting.	(19,000)
Arena – Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(16,000)
Recreation Programs – Summer day camp favourable due to increased registrations.	(6,000)
Pool – Canada Summer Jobs grant revenue came in lower than budgeted; offset by increased sales of swim passes and other program revenues.	0
Pool – Wages and benefits over budget due to higher than anticipated recreation swims.	12,000
Planning and Zoning – Wages and Benefits projected to be under budget due to temporary position vacancy, change in rate and allocation.	(25,000)
Planning and Zoning – Professional Fee – Legal projected to be greater than budget.	7,000
Planning and Zoning – Tecumseh Hamlet Secondary Plan – Professional Fees – projected to be lower than budget due to finalization of study delayed. Reduces corresponding Transfer from Reserves so no net impact.	0

<b>Budget Item</b>	<b>Amount</b>
Planning and Zoning – Official Plan – Professional Fee Legal – anticipated to be under budget. Reduces reserve transfer so no net impact.	0
Planning and Zoning – CIP – Grant expense projected to be below budget due to less than anticipated uptake. Variance transferred to reserve so no net impact.	0
Committee of Adjustment – Wages and benefits expected to be under budget due to less per diems.	(5,000)
Committee of Adjustment – Professional Fee – Legal forecast to show favourable variance.	(5,000)
Committee of Adjustment – Professional Development coming in under budget due to lower attendance at annual conference.	(5,000)

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated surplus.

### **Rate-Supported**

Significant variations from budget are expected to be:

<b>Budget Item</b>	<b>Amount</b>
Sanitary – Sewer Charges projected to be below budget due to lower volumes.	241,000
Sanitary – Wages and Benefits projected to be below budget as a result of salary gapping.	(17,000)
Sanitary – Contract costs for sanitary treatment are projected to be below budget due to lower volumes.	(35,000)
Sanitary – Hydro and water showing favourable due to lower commodity costs than budgeted.	(7,000)



<b>Budget Item</b>	<b>Amount</b>
Sanitary – Professional Fee – Engineer expected to come in under budget.	(5,000)
Sanitary – Sewer maintenance costs (OCWA) trending higher than budget.	6,000
Sanitary – Grant expense is projected to be favorable compared to budget due to lower than anticipated interest in the backwater valve grant program.	(61,000)
Water – Sales – Projected to be unfavorable largely due to lower than anticipated residential consumption.	251,000
Water – Wages and Benefits expected to be below budget largely due to salary gapping and student position vacancy.	(32,000)
Water – Professional Fees projected to exceed budget due to the WUC bulk water purchase agreement mediation process.	15,000
Water – Insurance expense under budget due to much lower premiums resulting from the Insurance RFP.	(12,000)
Water – Purchases projected to be below budget due to lower consumption than anticipated.	(99,000)
Water – Maintenance Service projected to be unfavorable compared to budget due to an increase in repairs and use of vac truck and outside contractors.	27,000
Water – SCADA Maintenance projected to be below budget due to the change in service providers.	(9,000)

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated operating deficit for rate-supported departments of \$246,000.

Note: that a surplus increases the balance transferred to reserve funds to offset capital requirements.

### **Capital/Lifecycle**

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to actual results. Items of note include:

- The tender for South Talbot Road Reconstruction and replacement of Culverts 46 and 47 was awarded to Amico Infrastructures in the amount of \$2,056,935 excluding HST. Total project costs of \$2,555,460 are under the original estimate (PWES Report No. 2018-08) of \$2,935,500. This project is still ongoing as the Town is currently working to resolve deficiencies. Anticipated surplus is approximately \$381,000.
- The tender for North County Rd 11 Sanitary Sewer was awarded to Shearock Construction Group in the amount of \$1,199,000 excluding HST. Total project costs of \$1,577,500 are under the original estimate (PWES Report No. 2018-08) of \$1,586,600. The project is ongoing, approximately 90% complete and in the restoration phase. Anticipated surplus is approximately \$9,000.
- The tender for Rehabilitation of Bridges #1004, #1013 and #1014 was awarded to South Shore Contracting in the amount of \$518,915 excluding HST. Total project cost of \$760,900 is over the original estimate (PWES Report No. 2018-08) of \$750,900. Project began in September and is approximately 25% complete. Anticipated project deficit is approximately \$10,000.
- The tender for the 2019 Supply of Vehicles was awarded to Amherstburg Chevrolet in the amount of \$78,463 excluding HST. Total cost of \$78,463 is over the original estimate (PWES Report No. 2019-07) of \$72,000 plus outfitting costs. Most of the allocation deficit will be offset by the surplus values received through auction for the respective vehicles being replaced. The Parks vehicle has been delivered and is in service and the Public Works truck is still on order. Anticipated deficit is approximately \$7,900.
- The tender for the McAuliffe Park Renovations was awarded to Vince Ferro Construction in the amount of \$326,289 excluding HST. Total project cost of \$368,852 is below the approved allocation (PRS Report No. 2018-23) of \$450,000. Construction for this project is complete. Anticipated surplus is approximately \$81,000.
- The tender for the Supply of Parks Equipment was awarded to South Point Equipment in the amount of \$36,380 plus HST. The trade in value for the replacement mowers is \$17,000. Total costs are below the approved allocation (PWES 2019-07) of \$30,000. The mowers have been delivered and are in operation. Anticipated surplus is approximately \$10,600.
- The tender for the internal lining replacement of the Elevated Water Tower was awarded to Landmark Municipal Services. Total project cost of \$456,256 is below the approved allocation (PWES Report No. 2018-08) of \$470,000. The work has been scheduled to begin in October. Anticipated surplus is approximately \$13,700.

- The tender for the purchase of a Valve Maintenance trailer was awarded to Wachs Canada in the amount of \$76,460 excluding HST. Total cost of \$77,806 is below the approved allocation (PWES Report No. 2019-17) of \$85,000. The trailer has been delivered and is in use. Anticipated surplus is approximately \$7,200.
- The tender for Architectural Services Town Hall Expansion was awarded to Archon Architects in the amount of \$128,900 excluding HST. Total project cost of \$131,169 is below the approved allocation (CAO Report No. 2019-03) of \$160,000. The architects are in the process of producing construction drawings and the construction tender will be available in October. Anticipated surplus is approximately \$28,800.
- The tender for Tar & Chip, which includes Crack Sealing, was awarded to Shepley Road Maintenance in the amount of \$218,500 excluding HST. Total project costs of \$222,346 are above the approved allocation (PWES Report No. 2018-08) of 200,000. The tender is based on estimated quantities. The final actual costs will be determined based on actual quantities required. A substantial portion of the work has been completed. Crack sealing is still in progress.
- The tender for Asphalt Paving was awarded to Coco Paving in the amount of \$1,041,000 excluding HST. Total project costs of \$1,059,322 are below the approved allocation (PWES 2018-08) of \$1,100,000. All asphalt paving work has been completed. Anticipated surplus is approximately \$40,600.

Carry over projects continue while approvals for 2019 projects are ongoing. Project surplus/deficits reduce the amount of reserve funds required and are adjusted through increasing or decreasing the transfer from reserve.

## **Consultations**

All Departments

## **Financial Implications**

Although early forecasts indicate an operating surplus of \$63,000, it is important to note that projections are based on a number of estimates which can vary prior to year-end. Administration will continue to closely monitor the budget.

## Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input type="checkbox"/>	Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
<input checked="" type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

## Communications

Not applicable ☒

Website ☐      Social Media ☐      News Release ☐      Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Nick Meloche, CPA, B.Com  
Financial Analyst Revenue

Reviewed by:

Zora Visekruna, MBA  
Deputy Treasurer & Tax Collector:

Reviewed by:

Tom Kitsos, CPA, CMA, BComm  
Director Financial Services & Chief Financial Officer

Recommended by:

Margaret Misek-Evans, MCIP, RPP  
Chief Administrative Officer

<b>Attachment Number</b>	<b>Attachment Name</b>
1	August 31, 2019 Operating Budget Variance Summary