



## 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:** July 14, 2020

**Report Number:** FS-2020-07

**Subject:** 2019 Year-End Budget Variance Report

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### Recommendations

It is recommended:

**That** the 2019 Year-End Budget Variance Report, dated July 14, 2020, showing a tax-supported surplus of \$913,981 **be received;**

**And that** surplus **transfers be made** as follows:

- a) \$855,181 operating fund surplus to Infrastructure Reserve;
- b) \$58,800 capital fund surplus to Infrastructure Reserve.

### Background

Council received Financial Services Report FS-2019-13 "Budget Variance Report – August 31, 2019" at its October 22, 2019 Council Meeting. The report noted an estimated year-end operating surplus of \$63,000 (Tax Supported surplus \$309,000 and Rate Supported deficit \$246,000).

## Comments

### Operating Fund

#### Tax Supported

The year-end surplus is \$855,000 compared to the projected August 31 forecast surplus of \$309,000.

Two common variances affecting departments throughout the Corporation for the year were:

- Electricity costs less than estimated due to continuance of provincial rebate: \$86,000
- Insurance costs less than estimated due to reduction in rates: \$121,000

Major budget variances (\$5,000 or more) for the year, actual versus budget, are as follows:

Variance Item	Amount
Council – Wages and Benefits favourable due to lower than anticipated increases and health enrollment numbers.	(51,000)
Corporate Shared – Supplementary Taxation revenue over budget due to greater than anticipated in-year property assessment growth.	(24,000)
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 – User charges revenue greater than budget primarily due to LAS natural gas rebate and WSIB NEER refund.	(9,000)
Corporate Shared – Provincial Offences Fines revenue over budget by \$24,000. Annual revenues from this source have been unpredictable and range widely year-to-year.	(24,000)
Corporate Shared – Greater than anticipated average bank balance and interest rate led to a favourable variance in Bank Interest income of \$315,000; transferred to Infrastructure Reserve so no net impact.	0

<b>Variance Item</b>	<b>Amount</b>
Corporate Shared – The Transfer from Reserve provision for the insurance rate increase was not required as rates came in well below budget.	29,000
Corporate Shared – Health benefit Administrative Costs Only (ASO) \$6,000 favourable due to lower claims paid out. Transferred to ASO benefits reserve, so no net impact.	0
Corporate Shared – Building Maintenance unfavourable due to unanticipated plumbing repairs required at Town Hall.	9,000
Corporate Shared – Miscellaneous Service costs for roll review came in under budget by \$8,000; 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 during the year.	(147,000)
Corporate Shared – Overall deficit reflects the \$761,048 allocation of the 2018 surplus, which is offset by an opening surplus adjustment on the financial statement.	0
CAO – Wages and Benefits - CAO retirement payout and contracted Fundraising Coordinator position funded from reserves; no net impact.	0
CAO – Professional Services favourable as the full budgeted amount was not required in 2019.	(69,000)
ICS – Overall under budget due to small variances across several accounts.	(12,000)
Financial Services – Transfer from Reserves less than budget due to lower than anticipated retirement payout.	8,000
Financial Services – Wages and Benefits showing favourable variance due to salary gapping and position vacancies.	(147,000)

<b>Variance Item</b>	<b>Amount</b>
Financial Services – Professional Development under budget due to staff transition to new positions and timing.	(9,000)
Financial Services - Professional Fees – Other over budget due to costs incurred for policy review.	9,000
Corporate Services and Clerks – Professional fee – Legal over budget due to a couple of ongoing legal matters; offset by legal cost recovery.	0
Corporate Services and Clerks – Professional fees – Other favourable due to not filling the budgeted student intern position.	(5,000)
Human Resources – Professional Fees over budget due to various employment matters.	92,000
Fire Services – Wages and Benefits under budget due to temporary position vacancies. Retirement payout offset by Transfer from Reserve.	(7,000)
Fire Services – Uniforms showing favourable variance as orders were not placed until 2020.	(6,000)
Fire Services – Vehicle Parts and Service under budget due to timing of apparatus inspections.	(23,000)
Fire Services – Dispatch favourable due to a decrease in airtime fees under new contract.	(11,000)
Police – User charge revenue favourable largely due to higher than anticipated Alarm Registrations.	(7,000)
Police – Contracts – Favourable variance due to 2019 billing coming in less than budget estimate.	(11,000)
Police Services Board – Overall under budget due to small variances across many accounts.	(9,000)

<b>Variance Item</b>	<b>Amount</b>
Building – Permit revenue favourable compared to budget due to increased construction activity.	(58,000)
Building – Wages and Benefits favourable due to position vacancies.	(25,000)
By-law – Wages and Benefits favourable due to position vacancies.	(5,000)
By-law – Maintenance Service – Fees incurred for property cleanup, \$45,000, offset by recoveries from property owners.	0
Animal Control – Animal Control is unfavourable due to Lakeshore dog pound fees, which are comprised of a 2017 and 2018 cost reconciliation and a 2019 estimate including capital works. Note that costs are shared among various municipalities.	16,000
Emergency Measures – Miscellaneous Revenue favourable \$6,000 due to greater than expected generator revenue. Transferred to reserve so no net impact.	0
Roadways – Grants favourable due to Canada Summer Jobs and CPRA Green Jobs grant.	(13,000)
Roadways – Licences and Permits revenue exceeded budget due to a greater number of culvert/driveway permits.	(14,000)
Roadways – Wages and Benefits unfavourable compared to budget due to staff overtime; partially offset by salary gapping.	26,000
Roadways – Materials and Supplies favourable due to programs ending earlier upon the start of winter control activities.	(6,000)
Roadways – Street Signs came in under budget as an inspection revealed less replacements than expected.	(6,000)

<b>Variance Item</b>	<b>Amount</b>
Roadways – Gas favourable due to lower actual cost per litre than originally budgeted.	(18,000)
Roadways – Vehicle Parts and Service over budget largely due to transmission work on two tandem trucks.	35,000
Roadways – Traffic Lights – Maintenance showing unfavourable variance due to greater repairs than budgeted.	8,000
Roadways – Dispatch favourable due to a decrease in airtime fees under new contract.	(5,000)
Roadways – Roadside Maintenance – Maintenance Service favourable due to some of the roadside ditch cutting work done by Public Works staff.	(7,000)
Roadways – Roadside Maintenance – Equipment rental was over budget due to in-house ditch cutting.	5,000
Roadways – Hardtop Maintenance – Materials and Supplies unfavourable due to higher than anticipated purchases of road painting materials.	8,000
Roadways – Hardtop Maintenance – Maintenance Service favourable as there were minimal costs incurred in 2019.	(5,000)
Roadways – Tecumseh Hamlet Secondary Plan came in under budget due to project timing. Reduces the transfer from reserve so no net budget impact.	0
Winter Control – Salt unfavourable due to early winter and multiple freeze/thaw events.	33,000
Winter Control – Maintenance Service came in under budget due to work being done by Town staff.	(5,000)

<b>Variance Item</b>	<b>Amount</b>
Transit – Grants favourable due to greater than projected Gas Tax allocation for 2019.	(6,000)
Transit – Transfer from Reserve less than budget due to decrease in overall net expenditures.	18,000
Transit – Vehicle Parts and Service favourable as there were not any costs incurred for repairs in 2019.	(5,000)
Transit – Contracts – Unfavourable due to increase in hourly rate as per the negotiated contract with First Student Canada.	7,000
Street Lighting – Maintenance Service unfavourable due to unexpected repairs and higher than budgeted monthly bills from EP. Partially offset by motor vehicle accident cost recovery.	25,000
Storm Sewer – Miscellaneous Revenue greater than budget due to cost recoveries related to stormwater management reviews and damage to municipal property.	(13,000)
Storm Sewer – Computer Support/Software is favourable as the Town is in the process of switching service providers.	(5,000)
Storm Sewer – Materials and Supplies came in over budget due to unanticipated costs incurred to purchase sandbags in response to high lake level flood risk.	28,000
Storm Sewer – Equipment Parts and Service unfavourable due to unanticipated pump station and generator repairs and an increase in the cost of annual certifications.	11,000
Storm Sewer – Building Maintenance favourable as more projects were completed in-house rather than outsourced.	(5,000)
Storm Sewer – Contracts unfavourable due to unanticipated costs for earth berms for municipal infrastructure in response to rising lake levels.	29,000

<b>Variance Item</b>	<b>Amount</b>
Storm Sewer – Professional Fee – Legal showing unfavourable variance due to legal counsel required on various stormwater-related issues.	5,000
Storm Sewer – Professional Fee – Engineer unfavourable due to support required with regards to rising lake levels and flooding.	18,000
Garbage Collection – Contracts unfavourable due to an additional yard waste pickup in December.	7,000
Garbage Disposal – Contracts favourable as actual tonnage was less than the historical average that was budgeted.	(22,000)
Parks – Grants favourable due to greater than anticipated federal funding received for staffing.	(16,000)
Parks – Wages and Benefits favourable due to a 6-week seasonal vacancy during the summer. In addition, total student hours worked came in well below budget.	(85,000)
Parks – Materials and Supplies unfavourable due to an increase in flower expenditures, fertilizer and inputs for turf repairs.	7,000
Parks – Gas favourable due to lower than budgeted cost per liter.	(6,000)
Parks – Tree Trimming and Removal unfavourable due to an increase in the number of required tree removals. At the end of the year, there were no outstanding work orders for tree trimming.	15,000
Parks – Vehicle Parts and Service unfavourable due to unanticipated vehicle engine repair during the year.	5,000
Parks – Grounds Maintenance favourable due to less than anticipated waste container service.	(5,000)



<b>Variance Item</b>	<b>Amount</b>
Parks Buildings – Wages and Benefits favourable as total student hours worked came in well below hours budgeted for 2019.	(8,000)
Arena – Grants favourable as summer student program funding was received but not budgeted for in 2019.	(5,000)
Arena – User charges exceeded budget due to higher secondary revenue sources (drop in programs, advertising, public skating, donations, and miscellaneous revenue).	(10,000)
Arena – Wages and Benefits favourable due to full-time position vacancy as well as actual total hours worked by arena staff in 2019 coming in under budget.	(20,000)
Arena – Transfer to lifecycle reserve favourable as advertising revenue over budget allocation is transferred to reserve.	10,000
Arena Concession – Sales unfavourable due to a reduction in free skates which resulted in a smaller than usual number of visitors to the facility.	7,000
Pool – Grants unfavourable due to lower than anticipated government funding received for staffing.	6,000
Pool – Overall User Charges revenue came in over budget largely due to sale of swim passes.	(7,000)
Pool – Wages and Benefits unfavourable due to higher than anticipated total hours worked by lifeguards due to holidays, Corn Festival and increase in the number of recreation swims.	11,000
Recreation Programs – Overall net expenditures less than budgeted largely due to Summer Day Camp.	(5,000)
Corn Festival – Carnival revenue unfavourable due to contract with new service provider.	5,000

<b>Variance Item</b>	<b>Amount</b>
Corn Festival – Admission Fees revenue over budget due to greater than anticipated attendance.	(5,000)
Corn Festival – Grounds Maintenance unfavourable due to additional staffing requirement for event setup and take down.	7,000
Planning and Zoning – Wages and Benefits favourable due to a temporary vacancy within the department.	(23,000)
Planning and Zoning – Professional Fee – Legal unfavourable due to OMB follow-up work.	7,000
Planning and Zoning – Tecumseh Hamlet Secondary Plan came in under budget due to reprioritization of projects. Reduces corresponding reserve transfer so no net impact.	0
Planning and Zoning – Official Plan came in under budget as the project did not proceed to Public Meeting and therefore no potential for LPAT hearing became available by year-end. Reduces corresponding reserve transfer so no net impact.	0
Planning and Zoning – Grants expense was favourable due to lower than anticipated applications for CIP funding. Offset by transfer to CIP reserve so no net impact.	0
Committee of Adjustment – Overall favourable due to fewer attendees at annual OACA conference and no LPAT hearings.	(20,000)
Agriculture and Reforestation – Ontario Specific Grants favourable due to greater than anticipated Drainage Superintendent Grant.	(6,000)

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

### **Rate Supported**

Sanitary operations ended the year with a deficit of \$80,000 and water operations ended with a deficit of \$74,000, compared to the projected August 31 cumulative forecast deficit of

\$246,000. Note that a surplus increases the funds available for capital purposes, by way of an increased transfer to lifecycle, whereas a deficit decreases the available funds for capital purposes.

Significant variations from budget are as follows:

<b>Variance Item</b>	<b>Amount</b>
Sanitary – Sewer Charges revenue under budget due to lower residential and non-residential volumes.	262,000
Sanitary – Wages and Benefits favourable due to salary gapping.	(13,000)
Sanitary – Computer Support/Software favourable as the Town was in the process of switching to a new service provider.	(6,000)
Sanitary – Materials and Supplies unfavourable due to more repairs done by Town staff.	8,000
Sanitary – Maintenance Service favourable due to a focus on proactive maintenance, which has resulted in a reduction in service costs in 2019.	(9,000)
Sanitary – Equipment Parts and Service favourable due to less overall maintenance required on newer equipment.	(6,000)
Sanitary – Contract costs for sanitary treatment favourable due to lower volumes.	(78,000)
Sanitary – Professional Fee – Engineering is favourable compared to budget due to more engineering work done in-house than anticipated.	(7,000)
Sanitary – Grants expense favourable due to declining interest in the backwater valve grant program.	(62,000)
Water – Overall water sales were unfavourable largely due to lower than anticipated residential consumption volumes.	159,000

<b>Variance Item</b>	<b>Amount</b>
Water – Wages and Benefits under budget due to less student hours and OMERS gapping.	(19,000)
Water – Professional Development and Education came in under budget due to new staff and early winterizing activities.	(9,000)
Water – Overall Professional Services exceeded budget due to the WUC bulk water purchase agreement mediation process.	9,000
Water – Materials and Supplies unfavourable due to a higher than expected number of valve replacements occurring.	21,000
Water – Purchases came in under budget as a result of lower than anticipated consumption volumes.	(131,000)
Water – Maintenance Service unfavourable largely due to asphaltting associated with watermain repairs, flow meter and valve replacements.	70,000
Water – Vehicle Parts and Service unfavourable due to various repairs required as a result of an aging fleet.	17,000
Water – SCADA Maintenance favourable as there was minimal repairs required during 2019.	(11,000)
Water Oasis – Water Sales revenue over budget due to fibre projects in the north end.	(13,000)

## Capital Fund

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to actual results. Generally, projects took place as planned in the various departmental 2019 Capital Works plans and actual results are within those approved funding envelopes with a small surplus of \$58,800.

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. The project was substantially complete as of November 29, 2019. The contractor is working on some deficiencies which are expected to be resolved within the next month.
- 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 was substantially complete as of December 13, 2019. The contractor is working on some deficiencies which are expected to be resolved within the next month.
- 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 costs of \$760,900 are over the original estimate (PWES Report No. 2018-08) of \$750,900. The bridges lifecycle reserve fund will be adjusted for the allocation shortfall. Bridges 1004 and 1014 are complete and Bridge 1013 is expected to start mid July 2020.
- The tender for the Supply of Vehicles for 2019 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. Most of the allocation deficit will be offset by auction proceeds for the respective vehicles being replaced. The Public Works vehicle is on order and the Parks vehicle has been delivered and is in service.
- The tender for the McAuliffe Park Renovations was awarded to Vince Ferro Construction in the amount of \$326,289 excluding HST. Total project costs of \$368,852 are below the approved allocation (PRS Report No. 2018-23) of \$450,000. The project is complete.
- 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 Report No. 2019-07) of \$30,000. The mowers have been delivered and are in operation.
- The tender for the internal lining replacement of the Town of Tecumseh Elevated Water Tank was awarded to Landmark Municipal Services. Total project costs of \$456,256 are below the approved allocation (PWES Report No. 2018-08) of \$470,000. The work was completed in October 2019.
- 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 operation.
- The tender for Architectural Services Town Hall Expansion was awarded to Archon Architects in the amount of \$128,900 excluding HST. Total cost for these services of \$131,169 is below the approved allocation (CAO Report No. 2019-03) of \$160,000. The

Architects completed the construction documents; the tender for a contractor has been awarded and the construction of Town Hall is currently underway.

- The tender for Tar and 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. Work has been completed.
- The tender for Asphalt Paving was awarded to Coco Paving in the amount of \$1,041,000 excluding HST. Total project cost of \$1,059,322 is below the approved allocation (PWES Report No. 2018-08) of \$1,100,000. All asphalt paving work has been completed.
- The quotation for Line Painting on Lesperance Rd. was awarded to Provincial Road Markings. Total project costs are above the approved allocation (2018 PWES Capital Works Plan). The Town was able to recover 80% of the cost through the OMCC Program and 50% of the remainder through the CWATS Municipal Partnership Project Fund. The total cost for the Town is 10% of the submission price which is \$11,000. This project is complete.
- The quotation for the Water Service Truck was awarded to Cavalcade Ford. Total costs of \$90,057 are above the approved allocation (PWES Report No. 2019-07). The water service truck is currently at GW Anglin being fitted as there was a delay due to COVID-19. Delivery date at this time is unknown.
- The quotation for Manhole Restoration was awarded to Nasci Construction Services in the amount of \$122,055 excluding HST. Total project costs of \$124,203 are above the approved allocation (PWES Report No. 2018-08) of \$100,000. The project is complete.
- The tender for Building Management System was awarded to Trane Service in the amount of \$77,275 excluding HST. Total project costs are below the approved \$82,000 allocation (\$45,000 per PRS Report No. 2019-15 + an additional \$7,000 per PRS Report No. 2020-01 + \$30,000 allocation from the Town Hall Expansion). This project has not started yet.
- The quotation for the East Townline Drain project was awarded to HE Construction in the amount of \$435,261 excluding HST, which is less than the approved budget allocation (PWES Report No. 2019-19) of \$550,000. The project is substantially complete.
- The quotation for the LaChance Drain project was awarded to Murray Mills Excavating in the amount of \$76,711, which is above the approved budget allocation (PWES Report No. 2019-32) of \$65,000. The project is 80% complete and ongoing.
- The proposal for the Citizen Satisfaction Survey was awarded to Probe Research in the amount of \$13,540 excluding HST. Total cost is below the approved budget of \$15,000 (CAO Report No. 2019-05). The survey is complete and a final report was presented to Council on February 11, 2020.

- The tender for the Town Hall Expansion was awarded to Elmara Construction in the amount of \$2,807,000 excluding HST. Total project costs are above the original approved allocation of \$3,150,000 (CAO Report No. 2019-03). Additional project funding was added (CAO Report No. 2019-10) to bring the total approved allocation to \$3,436,435. Expenditures to-date are \$1,151,337.

## Consultations

All Departments

## Financial Implications

Summary of the year-end results is as follows:

Operating Surplus	\$855,181
Capital Surplus	<u>58,800</u>
Total Surplus	\$913,981

## 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

**Attachment  
Number**

**Attachment  
Name**

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December 2019 Budget Variance