



## **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:** August 11, 2020

**Report Number:** FS-2020-14

**Subject:** Budget Variance Report – June 2020

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### **Recommendations**

It is recommended:

**That** Financial Services Report # FS-2020-14, Budget Variance Report – June 2020, **is received.**

### **Executive Summary**

All departments have reviewed second quarter (Q2) actual 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.

The Town is currently operating under a local state of emergency, which was enacted in March due to the COVID-19 pandemic and risk of overland flooding due to high lake levels. Both have impacted the Town's operations and budgets to date and will continue to impact operations and budgets through to the end of this year and likely into next year.

Notwithstanding the impact of the state of emergency, the Town has continued to maintain essential services for its residents. Some non-essential services have been stopped or reduced.

The 2020 June Budget Variance year-end projections carry a greater degree of estimation than would typically be seen under more normal conditions. Assumptions include the Windsor-

Essex area moving to stage three of COVID-19 recovery relatively soon and that major inland flooding is avoided.

Based on those underlying assumptions, the 2020 Q2 Variance analysis projects a year-end deficit of \$144,000 (Tax Supported \$165,000 deficit and Rate Supported surplus of \$21,000).

## **Background**

All departments have reviewed second quarter actual 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 2020 Q2 Variance analysis projects a year-end deficit of \$144,000 (Tax Supported deficit of \$165,000 and Rate Supported surplus \$21,000).

Managing the state of emergency has influenced all departments in one or more ways ranging from the incurrence of non-budgeted expenditures to the complete cancellation of a particular program or service. Some common expenditure types affecting many departments throughout the Corporation for the year include:

- Electricity costs are anticipated to be less than budgeted due to favourable rates & lower overall usage as a result of COVID-19: \$65,000
- Professional development and Education/training costs are anticipated to be less than budgeted due to the cancellation of most professional conferences as a result of COVID-19 and cost containment measures: \$88,000
- Direct non-budgeted COVID-19 non-payroll related costs incurred to date total \$34,000 and are projected to reach \$71,000 at year-end

Flood mitigation and preparation costs are anticipated to exceed the 2020 one-time budget allocation by \$27,000.

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 & Benefits favourable due to lower than anticipated enrollment in health benefits and lower per-diem expenses as a result of COVID-19.	(19,000)
Council – AMO/Other Committees under budget as in-person meetings are not currently being held.	(6,000)
Corporate Shared – Taxes are projected to be above budget due to various increases in property assessments, primarily in residential (\$103,000), Commercial (\$56,000) & Industrial (\$90,000).	(260,000)
Corporate Shared – Supplementary Taxes forecast to be below budget due to lower than anticipated assessment growth primarily due to delays in construction.	130,000
Corporate Shared – Provincial Offences Act fines projected below budget due to reduced ticketing and collections during COVID-19.	100,000
Corporate Shared – Penalties & Interest forecast to be unfavourable due to financial relief provided during the COVID-19 pandemic.	272,000
Corporate Shared – Municipal Drain Interest favourable as new debentures were issued after the completion of the budget.	(6,000)
Corporate Shared – Miscellaneous revenue greater than budget primarily due to WSIB NEER refund.	(8,000)
Corporate Shared – Tax Write-off expense under budget due to lower assessment appeal activity. Larger favourable variance by year end possible.	(25,000)
CAO – Transfer from Lifecycle not required due to cancellation of Business Retention & Expansion Program.	20,000
CAO – Wages & Benefits favourable primarily due to salary gapping and lower than budgeted health enrollment.	(29,000)
CAO – Professional Fee – Other projected to be favourable due to new agreements in place with service providers resulting in lower costs.	(8,000)
CAO – Travel & Mileage projected to be favourable due to lower than typical activity, in addition to the impact of COVID-19.	(6,000)
ICS – Wages & Benefits favourable due to cancellation of summer student program as a result of COVID-19, as well as lower health and disability rates than anticipated.	(9,000)

<b>Budget Item</b>	<b>Amount</b>
Financial Services – Wages & Benefits favourable, primarily due to salary gapping and position vacancies during the year.	(54,000)
Corporate Services & Clerks – Lottery Licences unfavourable due to closures of lottery gaming as a result of COVID-19.	113,000
Human Resources – Professional Fee – Legal unfavourable due to various employment matters.	49,000
Youth Advisory Committee – received non-budgeted RBC Future Launch Community Challenge Grant funding of \$15,000 – project and expenditures will proceed in the fall or as soon as COVID-19 regulations permit, net budget impact is zero.	0
Fire – Fire Service Calls unfavourable as call volumes are lower than normal.	7,000
Fire – Wages & Benefits unfavourable, primarily due to temporary overlapping of roles and unbudgeted retirement payout, partly offset by reduced Firefighter training due to COVID-19 restrictions and transfer from reserves (retirement).	18,000
Police – User Charges projected to be below budget, primarily due to greater than anticipated alarm registrations (\$9,000), offset by unfavourable reports and clearances due to restrictions during COVID-19 (\$18,000).	10,000
Police – Contracts anticipated to be favourable as special events policing will not be required due to cancellation of events.	(10,000)
Building – Permit revenue favourable due to increased activity of large scale construction projects.	(42,000)
Animal Control – Miscellaneous Service favourable as costs related to Commissionaires not incurred for 2020 due to COVID-19.	10,000
Roadways – Miscellaneous Revenue favourable due to cost recoveries from damage to public property.	(18,000)
Roadways – Traffic lights – maintenance unfavourable due to greater than anticipated costs at McNorton/Lesperance intersection.	5,000
Roadways – Vehicle Parts & Service anticipated to be over budget largely due to significant salt damage on two backhoes.	24,000
Roadways – Roadside Maintenance – Materials & supplies greater than budgeted as additional stone for shouldering operations was required.	15,000

<b>Budget Item</b>	<b>Amount</b>
Roadways – Tecumseh Hamlet Secondary Plan – Professional Fee – Engineer greater than budget due to project timing. Increases the transfer from reserve so no net budget impact.	0
Crossing Guards – Wages & Benefits favourable due to reduction of hours and position vacancies as a result of COVID-19.	(33,000)
Winter Control – Wages & Benefits projected to be favourable due to mild winter weather.	(24,000)
Transit – Grants projected to be favourable due to greater Gas Tax allocation for 2020 from prior year bus purchase, offset by transfer to LC Fleet reserve, net budget impact is zero.	0
Transit – Bus Fare unfavourable as service provided for free during COVID-19 emergency. Charging of fares to resume in September, but ridership is expected to be below typical levels for the remainder of the year.	25,000
Storm Sewer System – Equipment Parts & Service unfavourable due to unanticipated expenses incurred to rebuild pump motors.	12,000
Parks – Canada Specific Grants favourable as summer student funding approved.	(26,000)
Parks – User Charges unfavourable, primarily due to loss of rentals as a result of community event cancellations. Minimal pavilion rentals expected the remainder of the year.	29,000
Parks – Wages & Benefits favourable, primarily due to reduced hours as a result of COVID-19.	(148,000)
Parks – Materials & Supplies favourable due to reduction in flower planters and mulch purchases.	(8,000)
Parks – Grounds Maintenance favourable as no costs have been incurred to date.	(7,000)
Parks – Contracts unfavourable due to extension of goose control program to year-end.	7,000
Parks – Miscellaneous Service favourable due to less outside contracted work than anticipated.	(9,000)
Parks Buildings – Grants favourable as receipt of Canada Summer Jobs grant was not budgeted.	(7,000)

<b>Budget Item</b>	<b>Amount</b>
Parks Buildings – User Charges unfavourable due to loss of community centre rentals as a result of COVID-19.	6,000
Parks Buildings – Wages & Benefits favourable due to decrease in parks student hours as a result of COVID-19	(16,000)
Arena – Grants favourable as receipt of Canada Summer Jobs grant was not originally budgeted.	(8,000)
Arena – User Charges, primarily ice rentals, unfavourable due to closures as a result of COVID-19.	350,000
Arena – Wages & Benefits favourable, primarily due to position vacancies as a result of COVID-19 and lower health & disability rates than anticipated.	(56,000)
Arena – Building R & M Purchases, Equipment Parts and Building Maintenance favourable as less repairs are anticipated than originally budgeted.	(17,000)
Arena – Miscellaneous Service unfavourable due to temporary employment costs which were not anticipated at time of budget.	16,000
Arena – Transfer to reserves less than budget due to reduced rent to Powertech, reduction in capital surcharge and deficit in advertising revenue as a result of COVID-19.	(18,000)
Recreation Programs – Grants favourable as confirmed funding greater than originally anticipated.	(9,000)
Recreation Programs – User Charges unfavourable due to cancellation of programs as a result of COVID-19.	104,000
Recreation Programs – Wages & Benefits favourable due to cancellation of programs as a result of COVID-19.	(54,000)
Recreation Programs – Professional Fee – Other favourable due to cancellation of programs as a result of COVID-19.	(7,000)
Recreation Programs – Field Trips favourable due to cancellations as a result of COVID-19.	(6,000)
Arena Concessions – Sales unfavourable due to the closure of the arena.	56,000
Area Concessions – Purchases favourable due to the closure of the arena.	(29,000)
Pool – Grants unfavourable as the pool will remain closed for 2020 due to COVID-19.	15,000

<b>Budget Item</b>	<b>Amount</b>
Pool – User Charges unfavourable as the pool will remain closed for 2020 due to COVID-19.	138,000
Pool – Wages & Benefits favourable as the pool will remain closed for 2020 due to COVID-19.	(172,000)
Pool – Maintenance Materials & Supplies favourable as the pool will remain closed for 2020 due to COVID-19.	(22,000)
Pool – Building Maintenance favourable as less building repairs are anticipated compared to original budget.	(6,000)
Corn Festival – Net Expenditures favourable due to the cancellation of the 2020 festival due to COVID-19.	(64,000)
Christmas in Tecumseh – Net Expenditures favourable due to the cancellation of traditional program as a result of COVID-19 and allowance for a modified program.	(8,000)
Special Events – Net Expenditures favourable due to various cancellations as a result of COVID-19.	(29,000)
Planning and Zoning – User Charges unfavourable due to fewer planning applications than anticipated as a result of COVID-19.	8,000
Planning and Zoning – Tecumseh Hamlet – Professional Services favourable due to delays in project as a result of COVID-19. Decreases the transfer from reserve so no net budget impact.	0
Planning and Zoning – Official Plan – Professional Fee – Legal favourable as costs are not anticipated until 2021. Decreases transfer from reserve so no net impact.	0
Planning and Zoning – Oldcastle Lands Study – Professional Services favourable due to delays as a result of COVID-19. Decreases transfer from reserve so not net impact.	0
COA – Wages & Benefits favourable due to reduction in meetings and per diems as a result of COVID-19.	(9,000)

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:

Budget Item	Amount
Sewer – Wages & Benefits favourable due to salary gapping of various positions and lower health/disability rates than anticipated.	(25,000)
Sewer – Materials & Supplies unfavourable due to unanticipated repairs required as a result of flood preparation.	14,000
Sewer – Contracts favourable as the actual rate charged for treatment costs came in below estimate.	(36,000)
Water – Wages & Benefits favourable primarily due to salary gapping, temporary position vacancies and lower health/disability rates than anticipated.	(84,000)
Water – Materials & Supplies unfavourable due to unanticipated costs related to repairing & replacing hydrants, and installation of breakaway kits on at risk hydrants in the event of a flood.	47,000

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated operating surplus for rate-supported departments of \$21,000.

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 proposal for the McAuliffe Park Splash Pad was awarded to Open Space Solutions in the amount of \$210,000 excluding HST. The total project costs are below the approved allocation of \$250,000 per Report PRS 2019-18 “2019-2023 Parks Five Year Capital Plan”. The approved funding includes a \$30,000 contribution from the McAuliffe Sports Association. The Splash Pad is complete and in operation.
- The proposal for the HR Service Delivery Review was awarded to Pesce & Associates in the amount of \$17,346 excluding HST. The Town applied to the Municipal Modernization Program - Intake 1 to fund the HR service Delivery Review and was successful, receiving an allocation of \$20,000 for the project. The project is currently underway and is expected to be complete by September 2020 with a final report being presented to Council upon completion.



- The quotation for the Chiller Replacement project was awarded to CIMCO in the amount of \$155,985 net of 100% refundable HST. Total project costs are below the approved allocation of \$200,000 per Report PRS 2020-01 “2020-2024 Arena and Pool Five Year Capital Works Plan”. Prior to starting the work for the Chiller Replacement it was determined that there was a problem with the equalization line and relief header that work in conjunction with the refrigeration system. As CIMCO was already awarded the contract for the Chiller, it was presented to Council to have CIMCO complete these works as well. CIMCO provided a quote to complete the extra work for a cost of \$27,310. The extra work was approved as per the Purchasing By-law. The total project cost is below the approved allocation. The project is in progress and is expected to be complete by August 7 2020.
- The tender for the Highway 3 and Walker Rd (County Rd 11) watermain replacement project was awarded to Shearock Construction Group in the amount of \$1,390,658 excluding HST. Total project costs are \$1,826,300 and are below the approved allocation of \$2,316,700 per Report PWES 2019-49 “2018-2022 PWES Capital Works Plan”. The project is tentatively scheduled to start at the end of August.
- The tender for the Tecumseh Road Sanitary Sewer Replacement project was awarded to D'Amore Construction in the amount of \$1,478,595 excluding HST. Total project costs of \$2,243,500 are below the approved allocation of \$3,067,700 per Report PWES 2019-49 “2020-2024 PWES Five Year Capital Works Plan”. The project has commenced.
- The quotations for the Supply of Parks Equipment was awarded to Southpoint Equipment for four (4) Kabota Zero-Turn mowers and to GC Duke for one (1) Jacobson Rotary Mower for a total cost of \$88,660 excluding HST. Total project costs are below the approved allocation of \$153,000 per Report PWES 2020-09. The equipment has been received and is in operation.
- The quotation for the Lakewood Park Pier Replacement was awarded to Facca Incorporated in the amount of \$120,000. Total project costs are below the approved allocation of \$125,000 per Report PRS 2019-18 “2019-2023 Parks Five Year Capital Plan”. The project is complete.
- The quotation for the Hurley Relief Drain & Branch was awarded to Nevan Construction for a total cost of \$139,289 excluding HST. Estimated project costs of \$119,500 were approved by Report PWES 2020-04 “Hurley Relief Branch Drain & Upper Part of Hurley Relief Drain”. Total project costs are above the engineer's estimate but within the upset limit per the Drainage Act. Other than the cost to administer the project, the cost of constructing the project is 100% recoverable by affected lands including the Town's portion of land. There is not a confirmed start date at this time, but the project is scheduled to be complete by January 2021.
- The quotation for the Manhole Restoration project was awarded to Nasci Construction for a total cost of \$66,304.75 excluding HST. The low bid includes a \$6,000 contingency. The total costs are above the approved allocation per Report PWES 2019-49 “2020 - 2024 PWES Five Year Capital Plan”. Administration will work with the

contractor to reduce the costs to stay within the budgeted amount. The project is tentatively scheduled to start at the beginning of August.

- The tender for the Asphalt Paving project was awarded to Coco Paving for a total cost of \$900,500 excluding HST. The total costs are below the approved allocation of \$1,100,000 per Report PWES 2019-49 "2020-2024 PWES Five Year Capital Plan". The project is scheduled to start mid-August.
- The tender for the Tar & Chip project was awarded to Shepley Road Maintenance for a total cost of \$159,900 excluding HST. The total costs are below the approved allocation per Report PWES 2019-49 "2020-2024 PWES Five Year Capital Plan". The project is in progress.
- Elmara Construction was awarded the Town Hall Expansion project and as the Contractor in charge of the construction site, Administration requested a quote for carpeting and painting work within remaining areas of Town Hall. The total quotation price was \$177,860 excluding HST. The approved allocation for the carpet replacement per Report PRS-2019-15 was for \$80,000. The quote for the carpet replacement was \$89,400. Total projects costs are above the approved allocation as there was not an approved budget for painting. The project is in progress.
- Construction of land berms along the Lake St. Clair shoreline in response to the heightened risk of overland flooding has accumulated costs of \$273,000. An upset limit of \$500,000 was authorized by Council through Report FIRE-2020-05.

Carry over projects continue while approvals for 2020 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 deficit of \$144,000, it is important to note that projections are based on a number of estimates which can vary substantially prior to year-end. Administration will continue to closely monitor the budget. An update will be provided following our August Variance process.

## 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	June 2020 Budget Variance