



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: September 14, 2021
Report Number: FS- 2021-08
Subject: 2020 Year-End Budget Variance Report

Recommendations

It is recommended:

That the 2020 Year-End Budget Variance Report, dated September 14, 2021, showing a tax-supported surplus of \$1,738,061 and a rate-supported surplus of \$411,940 **be received;**

And that tax-supported surplus **transfers be made** as follows:

- a) \$516,000 operating fund surplus to Tax Rate Stabilization Reserve, including;
 - a. \$493,000 provision for 2021 financial pressures associated with COVID-19;
and
 - b. \$23,000 carry-forward request specific to 2020 approved and unspent operating budget funds towards 20th anniversary of amalgamation and Town Hall artwork reframing;
- b) \$255,000 operating fund surplus to Sick/Vacation Pay Reserve per actuarial update;
- c) \$854,306 operating fund surplus to Infrastructure Reserve; and
- d) \$112,755 capital fund surplus to Infrastructure Reserve.

And further that rate-supported surplus (Water and Wastewater services) **transfers be made** as follows:

- a) \$315,851 water operating fund surplus to the Water Rate Stabilization Reserve Fund; and
- b) \$96,089 wastewater operating fund surplus to the Wastewater Rate Stabilization Reserve Fund.

Executive Summary

The Town operated under a local state of emergency throughout most of 2020. The dual state of emergency was enacted in March due to the COVID-19 pandemic and risk of overland flooding due to high lake levels. Both threats impacted the Town's operations and budgets through to the end of 2020 and continue to do so in 2021.

Notwithstanding the operational and financial challenges of the dual state of emergency, the Town continued to provide essential services for its residents. Some non-essential services were stopped or reduced in an effort to help reduce the spread of COVID-19 and to contain costs in an effort to reduce the financial burden to Tecumseh taxpayers. Cost containment measures were implemented quickly and effectively immediately following the declaration of state of emergency.

Financial support from senior levels of government by way of the Safe Restart Agreement (SRA) program was announced in July/August of 2020 and provided initial funding of \$554,100 through its Municipal Stream - Phase 1 and \$33,894 through its Transit Stream - Phase 1. SRA funds are specifically intended to provide financial support for direct COVID-19 operating financial pressures.

The Town's cost containment measures combined with senior government financial support enabled the Town to neutralize the financial impact of these challenges and in addition, provide for an appropriate reserve to be used against COVID-19 financial pressures in 2021.

While the pandemic and potential for inland flooding were forefront for our everyday lives for the majority of the year, development within the Town was able to continue at a healthy rate, resulting in strong building permit activity and continued assessment growth.

The Town ended 2020 with an operating surplus for both tax supported and rate supported programs of \$1,625,000 and \$412,000 respectively. Despite the significant surplus, caution is necessary as the pandemic continues into 2021 and has a significant impact to municipal operations.

Background

Council received Financial Services Report FS-2020-15 "Budget Variance Report – August 31, 2020" at its October 27, 2020 Regular Council Meeting. The report noted an estimated year-end operating surplus of \$1,326,000 (Tax supported operating surplus of \$1,099,000 and Rate supported operating surplus of \$227,000).

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

Comments

The Town operated under a local state of emergency throughout most of 2020. The dual state of emergency was enacted in March due to the COVID-19 pandemic and risk of overland flooding due to high lake levels. Both threats impacted the Town’s operations and budgets through 2020 and continue to do so in 2021.

Operating Fund

Tax Supported

The year-end surplus is \$1,625,000 compared to the projected August 31 forecast surplus of \$1,099,000. The main contributors to the \$526,000 difference between projected year-end surplus compared to actual year-end surplus are summarized in the following table:

Revenue and Expenditure items that contributed to the difference between projected year-end surplus versus actual year-end surplus

Revenue/Expenditure Items	Amount
Grant Revenue – primarily due to the reallocation of the Community Safety and Policing Grant	179,000
Permit Revenue – primarily building permits reflective of greater development activity	-202,000
Investment Income – bank interest and capital gains	-129,000
Wages and Benefits – extended temporary vacancies and COVID-related cost containment	-286,000
Utilities	-63,000
Other – several accounts with small variances	-25,000
Total Revenue/Expenditure Items	-526,000

Impact of COVID-19

COVID-19 has had an extensive influence on all Town operations. Its impact has been isolated for variance analysis and grant purposes. The net impact of COVID-19 for 2020 is a surplus of \$493,000, which is summarized in the following tables:

COVID-19 Revenue Losses	Amount
Arena Rental – both ice pads closed for four months	311,000
Arena Concessions – closed for year late March	55,000
Lottery Licensing – hall closed	141,000
Penalty and Interest – financial relief measure	192,000
POA Fines – collections suspended temporarily	82,000
Outdoor Pool – did not open	138,000
Corn Festival and Special Events - cancelled	117,000
Parks – User Charges	23,000
Parks Buildings - Rentals	8,000
Rec Programs – Registration – day camp cancelled	100,000
Transit Fares - collections suspended temporarily	22,000
Total COVID-19 Revenue Losses	1,189,000

COVID-19 Non-Budgeted Expenditures	Amount
Employee Redeployment	44,000
Town Hall Security – visitor screening	13,000
Arena, Facilities Custodian – safety protocols	24,000
Janitorial, PPE, Barriers	37,000
Total COVID-19 Non-Budgeted Expenditures	118,000

COVID-19 Cost Containment Measures	Amount
Wages & Benefits – primarily students and part-time	-615,000
Professional Development	-140,000
Recreation & Event Program expenditures (Non-Wages) (Rec programs, corn fest, Christmas in Tec, Special events)	-218,000
Utilities – Arena, Pool	-127,000
Total COVID-19 Cost Containment Measures	-1,100,000

Safe Restart Agreement & Other Sr. Gov't Assistance	Amount
SRA Transit Phase 1 (\$33,894 total, with portion deferred to 2021)	-22,000
SRA Municipal Phase 1 (\$554,000 total, fully recognized in 2020)	-554,000
SRA Municipal Phase 2 (\$234,000 total, deferred to 2021)	0
Student Grant (Federal)	-124,000
Total Safe Restart Agreement & Other Sr. Gov't Assistance	-700,000

Net COVID-19 Impact	-493,000
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As shown in the preceding tables, managing the COVID-19 state of emergency has influenced all departments in one or more ways ranging from the loss of revenue, to the incurrence of non-budgeted expenditures and in some cases to the complete cancellation of programs or services.

Additional impact of COVID-19 on operations, however difficult to calculate a financial figure include:

- Additional hours to complete tasks due to safety protocol such as one-person-per-vehicle,
- Training and travel time for employees that are re-deployed, and
- Time and resources invested in COVID-19 planning and response at the expense of budgeted program and service delivery.

Administration recommends the Net COVID-19 financial impact for 2020, \$493,000 surplus, be placed into the Tax Rate Stabilization Reserve to offset ongoing COVID-19 financial pressures in 2021.

Regular Operations

The 2020 Operating Fund, Tax Supported surplus, net of the COVID-19 impact detailed previously, amounts to \$1,132,000 and is primarily attributable to the items in the following table, with a more detailed listing found as Attachment 2 to this report:

Regular Operations – Major Variances	Amount
Assessment Growth Prior Year	-261,000
In-year Assessment Growth – supplemental taxes down	75,000
Building Permit Revenue – greater development activity	-208,000
Grant Revenue – Community Safety and Policing Grant	179,000
Investment Income – capital gains	-46,000
Miscellaneous Revenue – cost recovery for damage to municipal property	-83,000
Tax Write-offs – appeals tend to be cyclical	-145,000
Wages & Benefits (Gapping & Vacancies)	-479,000
Wages & Benefits (O/T, Position overlap, Retirement)	121,000
Utilities	-173,000
Gasoline – lower commodity prices and consumption	-60,000

Regular Operations – Major Variances	Amount
Vehicle Parts & Service – several expensive repairs	27,000
Materials/Equipment Rental	-69,000
Winter Control – Salt – mild winter	-73,000
Maintenance Service	31,000
Other – several accounts with small variances	32,000
Total Regular Operations – Major Variances	-1,132,000

Rate Supported

At December 31, 2020 the Town ended the year with a rate supported surplus of \$412,000. 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. The surplus can be attributed primarily to the following items, with a more detailed listing found in Attachment 2 to this report:

Rate Supported – Major Variances	Amount
Water & Wastewater User Fees	-70,000
Wages & Benefits	-195,000
Water Purchase Cost	-129,000
Water Materials	46,000
Water Flood Preparedness	29,000
COVID-19 Protective supplies	7,000
Wastewater Treatment Costs	-60,000
Wastewater Grant Program	-47,000
Other – several accounts with small variances	7,000
Total Rate Supported – Major Variances	-412,000

Capital/Lifecycle

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to actual results. A complete listing of all capital projects planned for 2020 as identified within department five-year capital plans is detailed in Attachments 3 and 4.

In total, 100 projects and 16 vehicles/pieces of equipment were included in the department five-year plans to be undertaken in 2020 for a total budgeted cost of \$77 million, \$55 million of which was budgeted for the Town's multi-use sportsplex proposal.

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

Summary of the year-end results is as follows:

Tax supported services	Amount
Operating surplus	\$1,625,306
Capital surplus	\$112,755
Total surplus	\$1,735,061

Rate supported services	Amount
Operating surplus - Water	\$315,851
Operating surplus - Wastewater	\$96,089
Total surplus	\$411,940

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
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- Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
- Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
- Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
- Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
- 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

Prepared by:

Marilu Zanet, CPA, CMA
Financial Analyst

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**

- 1 December 2020 Variance Report Summary
- 2 Budget Variance Report – Operating Budget Items
- 3 Budget Variance Report – Capital Projects – excluding Public Works
- 4 Budget Variance Report – Capital Projects – Public Works