



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Deputy Treasurer & Tax Collector

Date to Council: August 14, 2018

Report Number: FS-2018-13

Subject: Budget Variance Report – June 30, 2018

Recommendations

It is recommended:

- 1. That Financial Services Report # FS-2018-13, Budget Variance Report – June 30, 2018, is received.**

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 2018 Q2 Variance analysis projects a year-end surplus of \$76,000 (Tax Supported surplus \$55,000 and Rate Supported surplus \$21,000).

It is important to note that the projections are based on a number of estimates which can vary significantly prior to year-end. Also worthy of note is that the Q2 Variance analysis was conducted prior to CUPE 702.13 contract ratification.

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:

Tax Supported

Budget Item	Variance Amount \$
• Council – Lower anticipated professional development and seminar activity resulting in a favourable forecast variance.	(7,000)
• Council – Health benefits forecast to be under budget due to partial enrollment (not all members participating).	(22,000)
• Corporate Shared – Taxation revenue is expected to be over budget due to greater than estimated growth in property assessment.	(89,000)
• Corporate Shared - Supplementary Taxation revenue is expected to be over budget due to greater than anticipated residential assessment growth.	(65,000)
• Corporate Shared – Anticipating that Penalties & Interest revenue will be under budget due to lower taxes receivable.	35,000
• Corporate Shared – Bank interest income \$267,000 favourable due to increases in the prime rate; transferred to tax stabilization reserve so no net impact.	0
• Corporate Shared – Trailer set-up and rental costs were not budgeted.	12,000
• Corporate Shared – Insurance projected to exceed budget primarily due to Cyber insurance (\$7,500) added mid-year.	7,000
• Corporate Shared – Tax write-offs expected to come in under budget due to fewer vacancy rebate applications and assessment appeals received.	(100,000)
• Corporate Shared – Deficit forecast reflects the \$972,611 allocation of the 2017 surplus, which is offset by an opening surplus adjustment in the financial statement.	0
• CAO – Temporary budget gapping for Benefits.	(17,000)
• CAO – Legal fees are expected to be approximately \$58,000 over budget resulting from renewed activity on outstanding legal matters. Offset by transfer from reserve so no net impact.	0
• CAO – Forecasting a favourable variance in Professional Fees – Other due to lower than anticipated activity.	(18,000)

Budget Item	Variance Amount \$
<ul style="list-style-type: none"> ICS – Computer Support/Software expected to show a favourable variance. 	(5,000)
<ul style="list-style-type: none"> Corporate Services & Clerk – Wages and benefits under budget due to position vacancy. 	(29,000)
<ul style="list-style-type: none"> Corporate Services & Clerk – Professional Fees - Legal over budget due to various legal matters. 	6,000
<ul style="list-style-type: none"> Seniors Advisory Committee – Received OSRCF Senior Fitness Around Town grant for \$17,000 and Senior Community grant for \$2,000. Funding to be used for various committee initiatives. 	0
<ul style="list-style-type: none"> Fire – Benefits anticipated to be under budget due to lower than budgeted increases and employees ineligible for coverage. 	(14,000)
<ul style="list-style-type: none"> OPP- Reports and Clearances activity higher than budgeted resulting in a favourable variance. 	(7,000)
<ul style="list-style-type: none"> Police – Contract – an allowance of \$36,000 has been allocated in the budget for outstanding prior year reconciliations. No impact at this time. 	0
<ul style="list-style-type: none"> Building – Benefits anticipated to be under budget due to lower than budgeted increases. 	(5,000)
<ul style="list-style-type: none"> By-law Enforcement over budget primarily due to greater than expected Professional Fees – Legal costs. 	9,000
<ul style="list-style-type: none"> Roadways – Wages & Benefits – Overtime hours partially offset by lower than budgeted increases to benefits for a net unfavourable variance. 	5,000
<ul style="list-style-type: none"> Roadways – Gasoline expense is expected to be over budget largely due to winter control activities. 	18,000
<ul style="list-style-type: none"> Roadways – Forecasting Vehicle Maintenance to be over budget by mostly due to two large repairs (Sweeper arrowboard and Mack Tandem cylinder). 	16,000
<ul style="list-style-type: none"> Roadways – Roadside Maintenance is expected to show an unfavourable variance largely due to unplanned ditch cleaning on VIA tracks. 	19,000
<ul style="list-style-type: none"> Winter Control – Potential overall unfavourable due to harsh winter weather (overtime \$67,000; salt \$143,000). Forecast wages are based on prior year activity, and thus could vary depending on this year's weather. 	210,000

Budget Item	Variance Amount \$
<ul style="list-style-type: none"> Street Lighting – Expected to be close to budget overall. Favourable hydro costs of \$9,000 partially offset by an unexpected pole replacement. Note that hydro was forecast conservatively; potential for additional reduction due to the global adjustment modifier. 	(4,000)
<ul style="list-style-type: none"> Storm Sewers – Materials & Supplies anticipated to be over budget due to catch basin program. 	6,000
<ul style="list-style-type: none"> Garbage Collection – Contract costs to marginally exceed budgeted amount. 	9,000
<ul style="list-style-type: none"> Parks – Canada Summer Jobs grant funding confirmed. 	(10,000)
<ul style="list-style-type: none"> Parks – Gasoline expense expected to be over budget; higher unit cost and increased usage are both contributing factors. 	7,000
<ul style="list-style-type: none"> Arena – Overall revenues expected to be slightly over budget (one-time Pathway to Potential grant, administrative fees, sponsorships). 	(5,000)
<ul style="list-style-type: none"> Arena - Benefits anticipated to be under budget due to lower than budgeted increases. 	(6,000)
<ul style="list-style-type: none"> Recreation Programs – Miscellaneous Revenue forecast to be over budget (hot lunch sales, t-shirt sales, Healthy Kids Community Challenge (HKCC) transportation, HKCC social media/promotions). 	(8,000)
<ul style="list-style-type: none"> Recreation Programs – Received HKCC grant used for Family Game Night, Power Off & Playground and Kids in the Kitchen program expenses; no net impact. 	0
<ul style="list-style-type: none"> Pool - Canada Summer Jobs grant funding confirmed. 	(12,000)
<ul style="list-style-type: none"> Pool – Overall revenues expected to be under budget \$6,000 (lower than expected pool rentals, private swim lessons), offset by decreased expenses. 	0
<ul style="list-style-type: none"> Pool – Wages and Benefits over budget resulting from additional staff training required due to legislative changes. 	6,000
<ul style="list-style-type: none"> Corn Festival – Expecting unfavourable variance for Equipment Rental due to higher cost of stage production services. 	7,000
<ul style="list-style-type: none"> Planning and Zoning – Tecumseh Hamlet Secondary Plan will be under budget due to change in project scheduling. Offset by budgeted reserve transfer; no net impact. 	0

Budget Item	Variance Amount \$
<ul style="list-style-type: none"> Planning and Zoning – Official Plan - Professional Fee – Legal anticipated to be under budget this year. If Official Plan is appealed, the hearing will not take place until 2019. Offset by budgeted reserve transfer; no net impact. 	0
<ul style="list-style-type: none"> Planning and Zoning – Community Improvement Plan – Grant expense expected to come in at \$211,000 as a number of committed projects are slated for completion this year. Offset by budgeted reserve transfer; no net impact. 	0
<ul style="list-style-type: none"> Committee of Adjustment – Expected to show overall favourable variance of \$11,000 largely due to lower per diems and conference attendance. 	(11,000)
<ul style="list-style-type: none"> Agriculture & Reforestation – Grant revenue expected to be under budget due to time allocated to the backwater value program (which is not grantable under the Drainage Superintendent grant program). 	9,000
<ul style="list-style-type: none"> Agriculture & Reforestation – Forecasting favourable variance in Wages and Benefits due to position vacancy. 	(23,000)

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	Variance Amount \$
<ul style="list-style-type: none"> Sanitary – Wages and benefits projected below budget due to position vacancy. 	(36,000)
<ul style="list-style-type: none"> Sanitary – Contract cost is favourable to budget due to lower than estimated sanitary treatment costs charged by the City of Windsor (\$70,000) and lower volumes (\$74,000). 	(144,000)
<ul style="list-style-type: none"> Sanitary – Sewer maintenance contract costs (OCWA) projecting greater than budgeted. 	8,000
<ul style="list-style-type: none"> Sanitary – Deferral of proposed in-house water billing – net impact to sanitary budget (EPC Billing and Collection fee \$100,000 offset by \$75,000 budgeted in-house expenses not incurred). 	25,000
<ul style="list-style-type: none"> Sanitary – Billing adjustment - no longer servicing Banwell Gardens retirement home effective 2017. 	28,000

Budget Item	Variance Amount \$
<ul style="list-style-type: none"> Sanitary – Interfunctional charges projecting below budget due to lower than anticipated labour support from Public Works staff. 	(15,000)
<ul style="list-style-type: none"> Water – Deferral of proposed in-house water billing – net impact to water budget (EPC Billing and Collection fee \$150,000 offset by \$100,000 budgeted in-house expenses not incurred). 	50,000
<ul style="list-style-type: none"> Water – Pro Fees – Legal – allocation for potential mediation costs regarding WUC bulk water purchase agreement dispute. 	65,000
<ul style="list-style-type: none"> Water – Vehicle parts and service projecting over budget due to aging fleet. 	11,000

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 Tender for Rossi Drive sanitary sewer extension was awarded to Amico Infrastructures Inc. in the amount of \$1,749,000 excluding HST. PWES Report No. 57-17 provided an estimated project cost of \$2,281,800. Anticipated surplus is approximately \$532,000.
- The Tender for St. Mary's Splash Pad was awarded to Open Space Solutions Inc. in the amount of \$160,000 excluding HST. Parks Report No. 25-17 provided an estimated project cost of \$200,000. The splash pad has been installed and is operational. Project surplus is approximately \$40,000.
- The Tender for Various watermain improvement projects was awarded to Sherway Contracting in the amount of \$945,800 excluding HST. PWES Report No. 57-17 provided an estimated project cost of \$1,196,900. Anticipated surplus is approximately \$251,000.
- The Tender for SCBA air filling station at Fire Hall #2 was awarded to Levitt Safety in the amount of \$53,938 excluding HST. Fire Report No. 01-17 provided an estimated project cost of \$70,000. The equipment has been installed. Project surplus is approximately \$16,000.

- The Tender for Storage addition Fire Hall #2 was awarded to Bear Construction in the amount of \$204,029 excluding HST. Parks Report No. 25-17 provided an estimated project cost of \$200,000. The addition is scheduled to be completed mid-August. Anticipated project deficit is approximately \$4,000.
- The Tender for Supply of Parks Equipment was awarded to G.C. Duke (rotary mower) and Vermeer Canada (wood chipper) in the amount of \$109,145 excluding HST. PWES Report No. 2018-03 provided an estimated project cost of \$119,000. Both pieces of equipment have been delivered. Project surplus is approximately \$10,000.
- The Tender for Supply of Vehicles (four pick-up trucks and one minivan) was awarded to three separate dealerships; Amherstburg Chevrolet, Provincial Chrysler and Windsor Chrysler in the amount of \$177,541 excluding HST. PWES Report No. 2018-03 provided an estimated project cost of \$179,000. The minivan has been delivered and the pick-up trucks will be delivered within weeks. Project surplus is approximately \$1,000.
- The Tender for Anode Water Program 2018 was awarded to C.P. Systems in the amount of \$375,000 excluding HST. PWES Report No. 57-17 provided an estimated project cost of \$375,000. The project is currently still in progress.
- The Tenders for Supply of Vehicles (Water Service Truck, Fire Command 1, Fire Command 2 and Transit Bus) were awarded to Windsor Chrysler, Rose City Ford (both Fire Command vehicles) and Overland Custom Coach respectively in the total amount of \$345,109. PWES Report No. 2018-03 provided an estimated project cost of \$340,000. We are awaiting delivery on all vehicles. Anticipated project deficit is \$5,000.
- The Tender for Asphalt Paving 2018 was awarded to Coco Paving Inc. in the amount of \$1,348,462 excluding HST. PWES Report 57-17 provided an estimated project cost of \$1,450,000. It should be noted that the tender does include \$50,000 in provisional costs and is based on estimated quantities. The final actual costs will be determined based on actual quantities required. Paving work will be completed no later than August 31.

Carry over projects continue while approvals for 2018 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 \$76,000, 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	2017-18 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 the Town of 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 the Town 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:

Zora Visekruna, MBA
Financial Analyst

Prepared by:

Tom Kitsos, CPA, CMA, BComm
Deputy Treasurer & Tax Collector

Reviewed by:

Luc Gagnon, CPA, CA, BMath
Director Financial Services & Treasurer

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

**Attachment
Number**

1

**Attachment
Name**

2nd Quarter Operating Budget Variance Summary

Attachment 1

**Town of Tecumseh
 2nd Quarter Operating Variance Summary
 Summary of All Units**

	2018 Approved Budget	2018 Year End Forecast	2018 Forecast Surplus/Deficit
Tax Supported			
Council	381,159	350,023	-31,136
Corporate Shared	-14,923,147	-14,119,439	803,708
Administration	2,867,890	2,812,819	-55,071
Fire	1,235,794	1,220,657	-15,137
Police	3,245,262	3,234,394	-10,868
Conservation Authority	263,920	263,062	-858
Building	152,435	151,072	-1,363
Other Protection	98,911	96,156	-2,755
Emergency Measures	28,750	28,601	-149
Public Works	1,994,968	2,258,317	263,349
Transit	83,055	82,824	-231
Storm Sewers	381,853	389,101	7,248
Garbage Collection/Disposal	1,444,200	1,451,278	7,078
Golden Age Club	16,200	16,438	238
Parks	1,317,100	1,310,997	-6,103
Arena	545,439	522,203	-23,236
Pool	101,185	96,142	-5,043
Recreation Other	35,700	34,981	-719
Libraries & Culture	32,111	44,715	12,604
Planning & Zoning	697,215	672,667	-24,548
Tax Supported		917,008	917,008
Opening Surplus (shown under Corp. Shared)		-972,611	-972,611
Total Tax Supported		-55,603	-55,603
Rate Supported			
Sanitary Sewers		-137,238	-137,238
Waterworks System		116,565	116,565
Total Rate Supported		-20,673	-20,673
Total Summary of All Units		-76,276	-76,276