



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: December 14, 2021

Report Number: FS-2021-14

Subject: Budget Variance Report – August 2021

Recommendations

It is recommended:

That Financial Services Report FS-2021-14, Budget Variance Report – August 2021, showing a tax-supported surplus of \$163,000 and a rate-supported surplus of \$423,000 for total net surplus of \$586,000 **be received**.

Executive Summary

The 2021 Budget was developed under the premise that operations would be impacted by COVID-19 and that any budgetary impact directly resulting from COVID-19 would be funded from the Tax Rate Stabilization Reserve and one-time expenditure cuts to Professional development budgets.

The total operating impact of COVID-19 pressures was budgeted at \$489,000 and to be offset by funding from the Tax Rate Stabilization Reserve of \$397,000 and one-time expenditure cuts of \$92,000.

Subsequent to the development of the 2021 budget, additional senior government support specifically intended to offset operating financial pressures due to COVID-19 was announced including:

- \$234,000 SRA Municipal Stream Phase 2

- \$449,850 COVID-19 Recovery Funding for Municipalities

For August Variance purposes, this grant funding has not been incorporated in any variance items or departments to date (i.e. has not been allocated). This will be revisited at year-end once final impacts to the specific areas experiencing operating pressures is known. Any unused amounts are to be placed into reserves to support any future COVID-19 operating costs and pressures.

Additionally, the Town has the following grant funding available to help offset the impact the pandemic has had to Transit operations:

- \$12,328 SRA Transit Stream Phase 1 funding (deferred from 2020)
- \$20,141 SRA Transit Stream Phase 3

For variance purposes, a total of \$20,000 of Transit-specific grant revenue was recognized to offset decreased transit fare income, which would effectively defer approximately \$12,500 for future COVID-19 operating costs and pressures.

Please note that the 2021 August Budget Variance year-end projections carry a greater degree of estimation than would typically be seen under more normal conditions. Assumptions include the continued effect of COVID-19 restrictions with respect to the Town's operations and no significant weather events (rain or snow) for the remainder of the year.

Based on those underlying assumptions, the 2021 August Variance analysis projects a year-end surplus of \$586,039 (tax supported surplus of \$162,892 and rate supported surplus of \$423,147).

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 2021 August Variance analysis projects a year-end surplus of \$586,039 (tax supported surplus of \$162,892 and rate supported surplus of \$423,147).

Tax Supported

As of August 31, 2021, a tax supported surplus of \$162,892, is anticipated. The following shows the breakdown of variances by those that are COVID-19 related and those that can be attributed to regular operations.

Impact of COVID-19

COVID-19 has had a widespread effect on all Town operations. Its impact has been isolated for variance analysis and grant reporting purposes. The net impact of COVID-19 projected for 2021 is a deficit of \$286,000, above and beyond what was incorporated within the budget, which is summarized in the following tables:

COVID-19 Revenue Impacts	Amount
Corporate Shared – Provincial offences fines	110,000
Legislative Services & Clerk - Lottery licensing	82,000
Transit – Fares collections	22,000
Transit – SRA grant to offset fare revenue loss	(22,000)
Parks – Hall & Miscellaneous rentals	20,000
Parks Buildings - Rentals	10,000
Arena – Rentals	297,000
Pool – Programming	18,000
Total COVID-19 Revenue Impact	537,000

COVID-19 Expenditure Impacts	Amount
Corporate-Wide - Janitorial, PPE, Barriers	16,000
Corporate-Wide – Professional Development & Education	(51,000)
Corporate Shared – Amherstburg/Leamington vaccination centres cost sharing	85,000
Animal Control – Miscellaneous Service	(10,000)

COVID-19 Expenditure Impacts	Amount
Crossing Guards – Wages & Benefits	(39,000)
Parks – Wages & Benefits	(92,000)
Arena – Wages & Benefits	(70,000)
Arena – Utilities	(81,000)
Arena – Provincial Covid-19 Screening Regulations	59,000
Pool – Wages & Benefits	(38,000)
Pool – Maintenance Materials	(5,000)
Special Events – Wages & Benefits	(17,000)
Committee of Adjustment – Wages & Benefits	(8,000)
Total COVID-19 Expenditure Impact	(251,000)

Net COVID-19 Impact – unfavourable variance	286,000
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As shown in the table above, the net COVID-19 impact at the time of August variance analysis is an unfavourable variance of \$286,000.

Grant Funding Available: The Town received \$234,000 in Safe Restart Agreement (SRA) Municipal Stream Phase 2 grant funding to wholly or partly offset 2021 COVID-19 related operating pressures. In addition, the Town received MMAH COVID-19 Recovery Funding for Municipalities grant funding of \$449,850, which was announced in March 2021 to further assist in offsetting 2021 related operating pressures.

In order to isolate COVID-19 costs, this grant funding has not been incorporated in the variance analysis. Allocations will be made once year-end results are in. Any unused amounts will be placed into reserves to support any future COVID-19 operating costs and pressures.

A summary of the grant funding available to offset COVID-19 related pressures can be found in the table below:

COVID-19 Grant Funding	Amount
SRA Municipal Phase 2 (\$234,000 deferred from 2020)	(234,000)

COVID-19 Grant Funding	Amount
MMAH COVID-19 Recovery Funding for Municipalities grant	(450,000)
Total Grant Funding	(684,000)

As shown in the preceding tables, managing the COVID-19 state of emergency has influenced departments in one or more ways ranging from the loss of revenue, to the incurrence of non-budgeted expenditures and in some cases the cancellation or modification 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.

Regular Operations

A summary of the major variance items attributed to regular operations is shown in the following table, with a more detailed listing found as Attachment 2 to this report:

Regular Operations – Major Variances	Amount
Corporate-Wide - Utilities	(43,000)
Corporate-Wide – Cost recoveries (damage to property)	(40,000)
Corporate-Wide – Contracts (Police, Garbage, Parks)	(16,000)
Corporate-Wide – Pro Fees – Legal (net of reserves)	(19,000)
Corporate Shared – Miscellaneous revenue	(33,000)
Corporate Shared - Supplemental taxes down	80,000
Corporate Shared – Tax write-offs	(50,000)

Regular Operations – Major Variances	Amount
Corporate Shared – Transfer to reserves	(117,000)
CAO – Professional Fees	(44,000)
CAO – Wages & Benefits	(37,000)
Financial Services – Wages & Benefits	34,000
Fire – Wages & Benefits	(32,000)
OPP – Grant revenue	98,000
Building - Permit Revenue	98,000
Building – Professional Fees	(13,000)
Roadways – Wages & Benefits (2 rainfall events)	89,000
Roadways – Vehicle Maintenance	32,000
Storm Sewer – Maintenance Service	18,000
Parks/Recreation – Grant Revenue (Canada Summer Jobs)	(81,000)
Parks – Wages & Benefits (non COVID-19 related)	(62,000)
Arena – Wages & Benefits (non COVID-19 related)	(131,000)
Planning – CIP Grants	(50,000)
Balance – numerous accounts with small variances	(130,000)
Total Variance Attributed to Regular Operations	(449,000)

Rate Supported

As of August 31, 2021 the Town is anticipating a rate supported surplus of \$423,147. Note that a surplus increases the funds available for capital purposes, by way of an increased transfer to reserve, 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 - Wages & Benefits	12,000
Water – Water Purchases	(111,000)
Wastewater – Contracts re: treatment costs	(235,000)
Wastewater - Grant expense re: subsidy program	(64,000)
Other – several accounts with small variances	(25,000)
Total Rate Supported – Major Variances	(423,000)

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 2021 as identified within department five-year capital plans is detailed in Attachments 3 and 4.

In total, 137 projects and 14 vehicles/pieces of equipment were included in the August Capital Variance Report for a total budgeted cost of \$43 million. Projects in this report are either included in the 2021 Capital Works Plan and/or included in prior year Capital Works plans incurring 2021 costs.

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 August variance projections is as follows:

Tax supported services	Amount
Operating surplus	\$163,000

Rate supported services	Amount
Operating surplus - Water	\$116,000

Operating surplus - Wastewater	\$307,000
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Total surplus	\$586,000
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The application of SRA Municipal Stream Phase 2 and COVID-19 Recovery Funding for Municipalities will increase the projected total surplus to the extent that total grant funding applied exceeds budgeted transfers from the Tax Rate Stabilization Reserve specific to COVID-19 (\$397,000).

Should the Town be able to fully recognize the \$683,850 in grant funding for 2021, the projected year-end surplus would increase to \$1,270,000 and would not require the use of the Town's Tax Rate Stabilization Reserve, thus preserving \$397,000 of Town reserves.

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

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	August 2021 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