



## 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 13, 2022

**Report Number:** FS-2022-07

**Subject:** 2021 Year-End Budget Variance

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### Recommendations

It is recommended:

**That** the 2021 Year-End Budget Variance Report, dated September 13, 2022, showing a tax supported surplus of \$1,341,379 and a rate-supported surplus of \$500,021 **be received;**

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

- a) \$500,000 operating fund surplus to Tax Rate Stabilization Reserve, including;
  - a. \$9,000 of unused funds allocated towards Energy Management initiatives to be carried forward into 2022, and
  - b. \$491,000 to replenish the Tax Rate Stabilization Reserve to approximately \$3.3 million
- b) \$810,569 operating fund surplus to Infrastructure Reserve; and
- c) \$30,810 capital fund surplus to Tax Rate Stabilization Reserve to be used for 2021 approved Small Equipment purchases not fulfilled at year-end.

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

- a) \$218,813 water operating fund surplus to the Water Rate Stabilization Reserve Fund; and
- b) \$281,208 wastewater operating fund surplus to the Wastewater Rate Stabilization Reserve Fund.

## Executive Summary

The 2021 Budget was developed under the premise that operations would be impacted by COVID-19, and to a lesser extent, risk of inland flooding from high lake levels, 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.

In general, programs were budgeted to experience reduced revenue/user fees assuming restrictions would be in place limiting capacity, while incurring relatively normal operating expenditures.

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.

After 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

This announcement alone, assuming actual experience would be close to budget and that the full grant support could be recognized, would produce a year-end surplus in excess of \$300,000 net of reductions to Town Reserve funding.

While accounting for COVID-19 financial impacts within the 2021 Budget was deemed a responsible fiscal exercise, great volatility in operations was experienced because of the pandemic. Actual events varied greatly from what was budgeted, creating both favourable and unfavourable variances for most every revenue and expenditure category.

Nonetheless, the 2021 Year-End Tax Supported Budget Surplus is a result of the following primary factors (where positive values represent favourable variances):

<b>Tax Supported – Major Variances</b>	<b>Amount</b>
Grant Funding	850,000

<b>Tax Supported – Major Variances</b>	<b>Amount</b>
User Fees / Licences / Fines - Revenue	(250,000)
Wages and Benefits	585,000
Materials and Supplies	120,000
Contract Services	110,000
Utilities	160,000
COVID-19 Specific Safety and Security Measures	(140,000)
Tax Write-offs	95,000
All Other	(189,000)
<b>Total 2021 Tax Supported Surplus</b>	<b>1,341,000</b>

## Background

Council received Financial Services Report FS-2021-14 “Budget Variance Report – August 31, 2021 at its December 14, 2021 Regular Council Meeting. The report noted an estimated year-end operating surplus of \$586,000 (Tax supported operating surplus of \$163,000 and Rate supported operating surplus of \$423,000).

At the time this report was prepared, Administration anticipated that grant funding might significantly offset the Town’s additional operating costs and it was noted within the August Variance Report that:

“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”.

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

## Comments

### Tax Supported

The Town ended 2021 with a tax supported surplus of \$1,341,000. The following section identifies contributing factors for major variance items. A more thorough listing of all variance items by department can be found in Attachment 2 of this report.

<b>Grant Funding</b>	<b>Amount</b>
SRA Municipal Phase 2 (\$234,000 deferred from 2020)	234,000
COVID-19 Recovery Funding for Municipalities recognized in 2021 (\$145,000 deferred to 2022)	305,000
Transit Funding: SRA Transit Phase 1 (\$12,000 deferred from 2020), SRA Transit Phase 3 (\$20,000), SRA Transit Phase 3 Top-Up (\$8,000)	40,000
Student Employee Grants: Federal Summer Student Grant (\$26,000 budgeted; \$137,000 received), Canadian Parks and Recreation Association (\$31,000)	142,000
Municipal Modernization Fund/Program: not budgeted and recognized in 2021 (IT Service Delivery, Clerk Service Delivery, Payroll Process Review, IT Digital Strategy in-part)	106,000
Other	23,000
<b>Total Grant Funding</b>	<b>850,000</b>

<b>User Fees / Licences / Fines - Revenue</b>	<b>Amount</b>
Arena Rental (over and above budgeted COVID-19 shortfall)	(180,000)
Lakewood Memorial Wall Donation	33,000
Donations (primarily Parks memorials)	29,000

<b>User Fees / Licences / Fines - Revenue</b>	<b>Amount</b>
Lottery Licences (over and above budgeted COVID-19 shortfall)	(64,000)
POA Fines (over and above budgeted COVID-19 shortfall)	(81,000)
Other	(13,000)
<b>Total User Fees / Licences / Fines - Revenue</b>	<b>(250,000)</b>

<b>Wages and Benefits</b>	<b>Amount</b>
Temporary Vacancies and Salary Gapping	260,000
Parks Students	115,000
Rink Attendants (F/T and P/T)	75,000
Parks Buildings (PT Rink and Custodian)	45,000
Firefighters	65,000
Public Works	(80,000)
Pool Lifeguards	40,000
All Other	30,000
<b>Total Wages and Benefits</b>	<b>585,000</b>

<b>Materials and Supplies</b>	<b>Amount</b>
Material and Supplies: Roadways Gateway signage (\$28,000), Hardtop Maintenance (\$13,000), Special Events (\$27,000)	80,000
Gasoline	20,000

<b>Materials and Supplies</b>	<b>Amount</b>
Building Maintenance	15,000
Janitorial Supplies	10,000
All Other	15,000
<b>Total Materials and Supplies</b>	<b>140,000</b>

<b>Contract Services</b>	<b>Amount</b>
Policing OPP Contract	85,000
Parks: Goose control and playset inspection underspent	25,000
<b>Total Contract Services</b>	<b>110,000</b>

<b>Utilities</b>	<b>Amount</b>
Electricity: Arena (\$107,000), Street Lights (\$12,000), Town Hall (\$8,000), Pool (\$7,000)	145,000
Natural Gas	15,000
<b>Total Utilities</b>	<b>160,000</b>

<b>COVID-19 Specific</b>	<b>Amount</b>
Regional Municipal Vaccination Centre – cost share	(75,000)
Arena – User Screening Service	(40,000)
IT – Virtual Meeting Software	(7,000)
By-law Enforcement – COVID-related	(7,000)

<b>COVID-19 Specific</b>	<b>Amount</b>
All Other	(11,000)
<b>Total COVID-19 Specific</b>	<b>(140,000)</b>

<b>Tax Write-Offs / Other</b>	<b>Amount</b>
Tax Write-Offs – Less than average property appeals	95,000
Other	99,000
<b>Total Tax Write-Offs / Other</b>	<b>194,000</b>

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,

### **Rate Supported**

At Dec 31, 2021 the Town ended the year with a rate supported surplus of \$500,000. 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 (where positive values represent favourable variances):

<b>Rate Supported – Major Variances</b>	<b>Amount</b>
Water – User Charges	93,000
Water - Wages & Benefits	(12,000)

<b>Rate Supported – Major Variances</b>	<b>Amount</b>
Water – Water Purchases	111,000
Water – Professional Development	14,000
Wastewater – User Charges	59,000
Wastewater – Contracts re: treatment costs	157,000
Wastewater – Maintenance Service	28,000
Wastewater - Grant expense re: subsidy program	39,000
Other – several accounts with small variances	11,000
<b>Total Rate Supported – Major Variances</b>	<b>500,000</b>

## **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, 128 projects and 14 vehicles/pieces of equipment are included in the Year-End Capital Variance Report for a total budgeted cost of \$40 million. Projects in this report are either included in the 2021 Capital Works Plans 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 Year-end variance is as follows:



<b>Tax supported services</b>	<b>Amount</b>
Operating surplus	\$1,341,000

<b>Rate supported services</b>	<b>Amount</b>
Operating surplus - Water	\$219,000
Operating surplus - Wastewater	\$281,000

<b>Total surplus</b>	<b>\$1,841,000</b>
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## 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:

Zora Visekruna, MBA  
Deputy Treasurer & Manager Revenue Services

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	2021 Budget Variance – Summary All Units
2	2021 Budget Variance – Detail by Department
3	2021 Capital Variance – All Departments excluding Public Works
4	2021 Capital Variance – Public Works