



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: November 13, 2018

Report Number: FS-2018-16

Subject: Budget Variance Report – August 31, 2018

Recommendations

It is recommended:

1. **That** Financial Services Report FS-2018-16, Budget Variance Report – August 31, 2018, **is received.**

Background

All departments have reviewed actual results for the period of January 1, 2018 to August 31, 2018 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

Directors review year-to-date financial results for the first eight months of 2018, compare these to the prior year results for the same period and to the 2018 approved budget. Based on the review and analysis, a projection of year-end results is made in order to determine the expected results of operations.

Operating Fund

Tax Supported

Based on August year-to-date results, we are projecting a tax supported operating surplus of approximately \$375,000 before year-end transfers and adjustments (see table attached).

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.

Major budget variances for the year, forecast versus budget, are as follows:

Budget Item	Amount
Council – Health under budget due to lower enrolment numbers and claims.	(22,000)
Council - Lower professional development and seminar activity resulting in a favourable forecast variance.	(8,000)
Council – Lower AMO meetings due to provincial election and transition period for new government.	(5,000)
Corporate Shared – Taxation revenue exceeds budget due to greater than anticipated 2017 in-year assessment growth.	(89,000)
Corporate Shared – Supplementary taxation revenue exceeds budget partly due to timing lag (2017 year-end supplementary revenue less than budget) and greater than anticipated industrial assessment growth.	(182,000)
Corporate Shared – Provincial Offences Act (POA) fines revenue trending lower than budget.	20,000
Corporate Shared – Penalties and Interest revenue less than budget due to lower taxes receivable.	25,000
Corporate Shared - Bank interest income favourable (\$308,000) due to increases in the prime rate; transferred to tax stabilization reserve so no net impact.	0
Corporate Shared – Health benefit Administrative Costs Only is favourable due to lower claims paid out.	(58,000)

Budget Item	Amount
Corporate Shared – Trailer set-up and rental costs were not budgeted.	17,000
Corporate Shared – Tax write-offs lower due to decrease in vacancy rebate claims (\$40,000) and lower assessment appeal activity (\$85,000).	(125,000)
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 Health benefits.	(17,000)
CAO - Legal fees are expected to be approximately \$153,000 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.	(21,000)
ICS - Computer Support/Software expected to show a favourable variance.	(5,000)
Financial Services – Benefits projected to be under budget due to lower than budgeted increases.	(12,000)
Corporate Services and Clerk - Wages and benefits under budget due to position vacancy.	(46,000)
Corporate Services and Clerk - Professional Fees - Legal over budget due to various legal matters.	7,000
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.	(5,000)
Fire – Received corporate grant from Archer Daniels Midland towards Confined space rescue equipment.	(6,000)

Budget Item	Amount
Fire – Benefits anticipated to be under budget due to lower than budgeted increases and employees ineligible for coverage.	(14,000)
Police – OPP contract charges projecting lower for 2018 activity (\$37,000) in addition to 2017 reconciliation surplus (\$25,000).	(62,000)
Building - Benefits projected to be under budget due to lower than budgeted increases.	(6,000)
By-law Enforcement – Increase in litigation activity is expected to overspend Professional fees budget.	9,000
Animal Control – Increase in dog licence fees exceeds budget. Included a door to door project using outside firm.	(8,000)
Roadways – Interfunctional cost recovery expected below budget as fewer staff hours charged to Wastewater operations.	15,000
Roadways – Wages projected to be over budget due to Bill 148 adjustment to Seasonal staff wages (\$15,000) and staff overtime (\$20,000).	35,000
Roadways - Gasoline expense is expected to be over budget largely due to winter control activities.	24,000
Roadways – Vehicle maintenance to be over budget by due to two large repairs (Sweeper arrow-board and Mack Tandem cylinder).	17,000
Roadways – Electricity costs below budget due to provincial limit on annual increases.	(11,000)
Winter Control - Potential overall unfavourable due to harsh winter weather (overtime \$67,000; salt \$143,000; equipment parts \$7,000). Forecast wages are based on prior year activity, and thus could vary depending on this year's weather.	217,000

Budget Item	Amount
Transit – Contract costs expected to exceed budget due to fuel escalation clause, Corn Festival shuttle service and fleet rental costs when both Town buses were out of service (\$9,000). Offset by Transfer from Lifecycle reserves so no net impact to operating budget.	0
Street Lighting - Expected to be close to budget overall. Favourable hydro costs of \$9,000 offset by an unexpected pole replacement (\$5,000) and carry-over maintenance charges from 2017 (\$10,000).	6,000
Storm Sewers - Materials & Supplies anticipated to be over budget due to catch basin program.	6,000
Storm Sewers – Electricity costs projecting to be under budget.	(10,000)
Garbage Disposal – Tonnage trending below budget projecting lower tipping fees.	(66,000)
Parks – Canada Summer Jobs grant funding confirmed.	(20,000)
Parks – Wages Bill 148 impact for Seasonal staff offset by lower projected full-time and student hours.	7,000
Parks - Gasoline expense expected to be over budget; higher unit cost and increased usage are both contributing factors.	10,000
Parks – Materials and supplies expected to exceed budget due to additional flowers and baseball clay purchased.	5,000
Arena – secondary revenue sources (public skating, advertising etc.) expected to exceed budget.	(10,000)
Arena – Equipment Parts and Service trending above budget due to above-average Zamboni and compressor maintenance service.	6,000

Budget Item	Amount
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).	(7,000)
Pool - Canada Summer Jobs grant funding confirmed.	(22,000)
Corn Festival – Carnival and Admission fee revenues below budget – inclement weather on main day of event a significant factor.	16,000
Corn Festival – Equipment rental exceeds budget due to stage production, utility carts and tent rental costs greater than anticipated.	8,000
Corn Festival – Grounds maintenance costs greater than budget, overall hours reduced, however more than offset by rate of pay increase.	6,000
Corn Festival – Other costs, which includes entertainment, pageant, public relations and parade, exceeded budget.	6,000
Committee of Adjustment – Favourable variance of \$14,000 due to fewer attendees at annual OACA conference (\$5,400) and no OMB/LPAT hearings anticipated (\$4,500).	(10,000)
Agriculture and Reforestation - Grant revenue expected to be under budget due to time allocated to the backwater valve program (which is not grantable under the Drainage Superintendent grant program).	5,000
Agriculture and Reforestation - Favourable variance in Wages and Benefits largely due to position vacancy (\$25,000) offset by increased overtime (\$14,000).	(24,000)

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
Sanitary – Sewer charges under budget due to lower residential water consumption volumes.	104,000
Sanitary – Wages and benefits projected below budget due to position vacancy.	(27,000)
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 (\$110,000).	(180,000)
Sanitary - Sewer maintenance contract costs (OCWA) projecting greater than budgeted.	6,000
Sanitary – Professional fees – Engineering projected below budget.	(12,000)
Sanitary – Electricity costs projecting below budget.	(9,000)
Sanitary – Participation in backwater valve Grants program declining.	(32,000)
Sanitary – Billing adjustment – no longer servicing Banwell Gardens retirement home effective 2017.	28,000
Sanitary - Interfunctional charges projecting below budget due to lower than anticipated labour support from Public Works staff.	(15,000)
Water – Revenues projecting below budget due to lower residential consumption volumes.	60,000
Water – Wages and benefits projecting over budget due to Director retirement and clerical overtime hours related to backwater valve grant program.	13,000

Budget Item	Amount
Water – Professional fees over budget due to WUC water purchase agreement mediation process.	45,000
Water – Bulk water purchases over budget due to increase in supply rate from City of Windsor, retroactive to 2017.	130,000
Water – Vehicle parts and service trending over budget due to aging fleet.	7,000

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated operating deficit for rate supported departments of \$136,000.

Note: that a deficit decreases 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.
- Allocation for the construction and electrical work for the installation of the HWY 401 Gateway Signage was approved for \$163,000. The project was tendered in two separate processes; construction and electrical, and has yielded a surplus of \$3,000.
- The approved allocation for the repair and improvement for the East McPherson Drain was \$102,520; the project was awarded for \$103,992 for a shortfall of about \$1,500. Work has been substantially completed; waiting on finalizing some deficiencies and release of final payment.
- PWES Department has awarded one part of the Sanitary Sewer Investigation and Rehabilitation project for \$1,157,000, funded through OCIF Grant and resulting in a surplus of \$20,500. OCIF, CWWF and OCIF Top-up grant funding has been secured. Phase one, funded through OCIF is to be completed by December 2018. PWES will proceed with the second phase of the project funded through CWWF. The entire project is to be completed by Q2 2019.

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 overall operating surplus of \$239,000 [Tax Supported surplus (\$375,000) and Rate Supported deficit (\$136,000)] it is important to note that projections are based on a number of estimates which can vary prior to year-end. Administration will continue to closely monitor the budget.

Further recommendations will be made for Council consideration once year-end results are known.

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:

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	Attachment Name
1	August Operating Budget Variance Summary