



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: October 10, 2023

Report Number: FS-2023-09

Subject: Budget Variance Report – June 2023

Recommendations

It is recommended:

That report FS-2023-09, Budget Variance Report – June 2023, showing a projected tax-supported deficit of \$376,436 and a rate-supported deficit of \$346,210 **be received**.

Executive Summary

Administration has reviewed year-to-date financial activity and completed a forecast of the Town's financial position to year-end. Based on projections and assumptions through to the end of December 31, 2023, Administration is projecting a year-end deficit in the Operating Fund of \$722,646. This is made up of a tax-supported deficit of \$376,436 and a rate-supported deficit of \$346,210.

Key drivers of the projected deficit include:

- Tax Supported:
 - o Investment Income (\$2,182K Surplus) – Represents higher than average monthly bank balances and interest rates (\$2,175K). These additional funds are transferred to Reserves, thus resulting in a NIL impact to the Operating budget for variance reporting purposes. At year end,

Administration will revisit the amount of additional income that is transferred to reserves. There is an opportunity to use this one-time increase in revenue to offset the forecasted Operating deficit.

- User Fees, Permits & Charges (\$830K Deficit) – Delay of major developments resulting in a decrease in building permit revenue (\$685K). We also anticipate a decrease in revenue from Provincial Offences collections (\$70K).
 - Net Transfers To/From Reserves (\$1,728K Deficit) – Town Operations include both transfers from reserves (source of revenue) and transfers to reserves (use of funds or expense). The budget called for a net revenue from reserves of \$523K. Projections call for a net transfer to reserves of \$1,728K. This is primarily due to lower projected legal fees (lesser transfer from reserves), increased Investment Income (greater transfer to reserves) as well as Grant expense payments (greater transfer from reserves).
 - Grants & Donations (\$175K Deficit) – Represents additional expenditures related to three (3) Community Improvement Plan (CIP) projects on Tecumseh Road.
 - Salaries & Benefits (\$579K Surplus) – Favourability stemming from multiple vacancies.
 - Operating & Maintenance Supplies (\$167K Deficit) – Mainly due to increased costs on street lighting repairs associated with accidents and storms (\$45K), various vehicle repairs (\$40K).
- Rate supported:
- Contract Services (\$438K Deficit) – The projected deficit is due to a higher than budgeted rate being charged by the City of Windsor for wastewater treatment. This is partially offset by lower consumption.
 - Salaries & Benefits (\$70K Surplus) – Favourability stemming from multiple vacancies.

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to current activity. A complete listing of all capital projects planned for 2023 as identified within department five-year capital plans is detailed in **Attachments 3 through 9**.

In total, over 110 projects are included in this variance report having a total budgeted cost of \$110M.

Background

Annual operating budgets for all Town departments are set at the beginning of the calendar year based on Council direction. Budget inputs consist of numerous professional estimates based on information available at the time (including the legislative environment, and macroeconomic trends such as currency fluctuations, commodity prices, unemployment figures, business investment, etc.).

Departments continuously monitor financial results and provide revised year-end forecasts. This helps identify potential exposures and provides an opportunity to create or adjust risk mitigation strategies to remain at, or close to, the approved budget.

Comments

Operating Fund

Attachment 1 provides a summary of the 2023 projected year-end variances by department, listed in order from the largest dollar deficit to the largest dollar surplus. As of our June 2023 variance analysis, we project a year-end deficit of \$722,646 (tax-supported deficit of \$376,436 and a rate-supported deficit of \$346,210).

Attachment 2 provides a description of significant operating variances for each department.

Tax Supported Variances – Operating Fund

As of June 30, 2023, Administration is projecting a year-end deficit of \$376,436. This variance is broken down by major account category in **Table 1** below.

Account Category		Net Favourable/ (Unfavourable) Variance
Revenue		
User fees, Permits & Charges	\$	(815,137)
Transfers from Reserves		(198,575)
Taxes		(50,773)
Grants		(32,674)
Penalties and Interest		45,205
Investment Income		2,182,224
Subtotal - Revenue	\$	1,130,270
Expenses:		
Transfers to Reserves	\$	(2,049,337)
Grants & Donations		(175,000)
Operating & Maintenance Supplies		(167,012)
Other		6,897
Utilities & Insurance		88,858
Financial Expenses		101,741
Professional Services		107,767
Salaries & Benefits		579,410
Subtotal - Expenses	\$	(1,506,712)
2023 Forecasted Year-End Deficit	\$	(376,436)

Table 1 - Projected Operating Budget Variance by Category – Tax Rate Supported

Explanation of Key Variances

Revenue Variance

The largest projected surplus is within “Investment Income”. The Town continues to experience higher than average monthly bank balances and rates which result in favourable bank interest revenue of \$2,175,000.

Offsetting this surplus is a substantial deficit within the “User fees, Permits & Charges” category. The “Building” department is anticipating a \$685K deficit in permit revenue due to delay of major developments. We are also anticipating a \$70K deficit in revenue from Provincial Offences based on year-to-date activity.

Expense Variance

Overall, a budget to actual deficit of \$1,507K is anticipated for expenditures. The deficit projected for “Transfers to Reserves” mainly represents an offset to the surpluses in “Grants & Donations” and “Investment Income” categories.

This deficit is partially offset by a surplus in “Wages and Benefits” mainly stemming from multiple vacancies.

Rate Supported Variances

As of June 30, 2023, Administration is projecting a year-end rate-supported deficit of \$346,210. The projected year-end variance broken down by major account category is presented in **Table 2** below.

Account Category	Net Favourable/ (Unfavourable) Variance	
Revenue		
User fees, Permits & Charges	\$	14,945
Subtotal - Revenue	\$	14,945
Expenses:		
Contracted Services	\$	(437,803)
Purchases for Resale		(64,077)
Other		(17,389)
Utilities & Insurance		18,101
Salaries & Benefits		69,813
Grants & Donations		70,200
Subtotal - Expenses	\$	(361,155)
2023 Forecasted Year-End Deficit	\$	(346,210)

Table 2 - Projected Operating Budget Variance by Category – Rate Supported

Explanation of Key Variances

Expense Variance

The projected deficit for “Contract Services” is due to a higher than budgeted rate being charged by the City of Windsor for wastewater treatment. This is partially offset by lower anticipated volumes.

Salaries & Benefits are projected to have a \$70K surplus mainly stemming from multiple vacancies.

Tax Supported Variance - Capital/Lifecycle

The Capital/Lifecycle analysis consists of reviewing the status of approved projects, comparing approved funding to current activity. A complete listing of all capital projects planned for 2023 as identified within department five-year capital plans is detailed in **Attachments 3 through 9**.

In total, over 110 projects are included in this variance report having a total budgeted cost of \$110M. Projects in this report are either included in the 2023 Capital Works Plan and/or included in prior year Capital Works plans incurring 2023 costs.

Project surplus/deficits impact the amount of reserve funds required resulting in lesser/greater use of capital reserve funding.

Information on 2023 year-to-date tender results is detailed in **Attachment 10**.

Consultations

All Departments

Financial Implications

Summary of projected year-end variance is as follows:

Tax Supported Services		Amount
Operating Deficit	\$	(376,436)

Rate Supported Services		Amount
Operating Surplus - Water	\$	37,601
Operating Deficit - Wastewater	\$	(383,811)

Total Deficit	\$	(722,646)
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Link to Strategic Priorities

Applicable	2023-2026 Strategic Priorities
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

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:

Vanessa DaDalt, CPA, CA, CTP
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

Attachment Number	Attachment Name
1	2023 Budget Variance – Summary All Units
2	2023 Budget Variance – Detail by Department
3	2023 Capital Variance – Arena
4	2023 Capital Variance - Pool
5	2023 Capital Variance – Buildings
6	2023 Capital Variance – Public Works
7	2023 Capital Variance – Technology and Communications
8	2023 Capital Variance – Community Safety
9	2023 Capital Variance – Parks
10	2023 Tender Results