



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: June 25, 2024

Report Number: FS-2024-09

Subject: 2023 Year-End Budget Variance

Recommendations

It is recommended:

That the 2023 Year-End Budget Variance Report, dated June 25, 2024, showing a tax-supported surplus of \$434,058 and a rate-supported surplus of \$6,896 **be received;**

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

- a) \$362,145 operating fund surplus to Tax Rate Stabilization Reserve to bring this reserve to approximately \$3.3M (15% of general levy is \$4.3M); and
- b) \$71,913 capital fund surplus be transferred as follows:
 - a. \$50,000 to Tax Rate Stabilization Reserve to be carried forward to 2024 towards 2023 approved Small Equipment purchases not fulfilled at year-end, and
 - b. \$21,913 to Infrastructure Reserve

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

- a) \$210,386 water operating fund surplus transferred to the Water Rate Stabilization Reserve Fund; and

- b) \$203,490 wastewater operating fund deficit transferred from the Wastewater Rate Stabilization Reserve Fund.

Executive Summary

Administration has reviewed the Town's 2023 year-end financial position. The year-end tax-supported surplus is \$434,058 and the rate-supported surplus is \$6,896.

Key drivers of the surplus include:

- Tax Supported:
 - Investment Income (\$2,634K Surplus) – Represents higher than average monthly bank balances and interest rates (\$2,520K). These additional funds are transferred to Reserves, thus resulting in a NIL impact to the Operating budget. The remainder represents unbudgeted gains on our ONE Investment portfolio (\$114K).
 - Grant Revenue (\$83K Surplus) – Represents higher than budgeted Transit Gas Tax funding from the Ontario Ministry of Transportation (\$78K) and Community Safety & Policing (CSP) grants (\$25K).
 - User Fees, Permits & Charges (\$590K Deficit) – High interest rates during the year negatively impacted building permit revenue (\$669K).
 - Salaries and Benefits (\$747K Surplus) – Favourable variance due primarily to several lengthy staff vacancies offset by significant increase in health benefits, retirement payouts and overtime.

- Rate Supported:
 - o Salaries & Benefits (\$68K Surplus) – Favourability stemming from multiple vacancies.
 - o Grants & Donation Expenditures (\$73K Surplus) – Favourability due to lower than anticipated intake of wastewater backflow and foundation disconnection subsidy program.
 - o User fees, Permits & Charges (\$238K Surplus) – Primarily due to greater than anticipated non-residential water consumption, resulting in higher water & sanitary charges.
 - o Contract Services (\$295K Deficit) – Primarily due to greater than anticipated sanitary treatment rate increase at the Little River Pollution Control Plant.

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 each department's five-year capital plans is detailed in **Attachments 3 to 7**.

In total, 132 projects are included in this variance report having a total budgeted cost of \$94M.

Background

Attachment 1 provides a summary of the 2023 year-end variances by department, listed in order from the department with the largest dollar deficit to the department with the largest dollar surplus. The Town ended 2023 with a year-end surplus of \$440,954 (tax-supported surplus of \$434,058 and a rate-supported surplus of \$6,896).

Tax Supported Variance - Operating Fund

The Town ended 2023 with an Operating surplus of \$434,058. The year-end variance, broken down by major account category, is presented in **Table 1** below.

Account Category	Net Favourable/ (Unfavourable) Variance	
Revenue		
User fees, Permits & Charges	\$	(587,217)
Transfers from Reserves		(246,179)
Other		4,714
Penalty & Interest		69,200
Grants		82,890
Investment Income		2,633,877
Subtotal - Revenue	\$	1,937,285
Expenses		
Transfers to Reserves	\$	(2,610,492)
Operating & Maintenance Supplies		(261,538)
Other		40,132
Utilities & Insurance		58,425
Professional Development		64,421
Grants & Donations		138,080
Professional Services		249,221
Salaries & Benefits		746,661
Subtotal - Expenses	\$	(1,575,140)
Operating Surplus	\$	362,145
Small Equipment Variance		71,913
2023 Year-End Surplus	\$	434,058

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

Explanation of Key Variance

Revenue Variance

The largest surplus is within "Investment Income". The Town experienced higher than average monthly bank balances and rates which resulted in favourable bank interest revenue of \$2,500,000. This category also included favourable variance of \$114,000 from unbudgeted gains on our portfolio with ONE Investment. These additional funds are transferred to Town Reserves, thus resulting in a NIL impact to the Operating budget.

The "Grants" category includes higher than budgeted Transit Gas Tax funding from the Ontario Ministry of Transportation (\$78,000) and Community Safety & Policing (CSP) grants (\$25,000).

Offsetting this surplus is a substantial deficit within the "User fees, Permits & Charges" category. This is mainly driven by a \$669,000 decrease in permit revenue ("Building" department) as higher interest rates negatively impacted development.

Expense Variance

Overall, the Town experienced a budget to actual deficit of \$1,575,000 for expenditures. The deficit for "Transfers to Reserves" mainly represents an offset to the surpluses in the "Grants & Donations" and "Investment Income" categories.

A surplus of \$747,000 in "Salaries & Benefits" is driven by several lengthy temporary staffing vacancies experienced during 2023.

Rate Supported Variances

The Town's 2023 year-end rate-support surplus was \$6,896. The 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	\$	237,511
Transfers from Reserves		33,616
Subtotal - Revenue	\$	271,127
Expenses		
Contracted Services	\$	(296,647)
Operating & Maintenance Supplies		(91,794)
Purchases for Resale		(29,655)
Other		13,673
Salaries & Benefits		67,592
Grants & Donations		72,600
Subtotal - Expenses	\$	(264,231)
2023 Year-End Deficit	\$	6,896

Table 2 - Operating Budget Variance by Category – Rate Supported

Explanation of Key Variances

Expense Variance

The "Contract Services" deficit mainly driven by higher than budgeted rates being charged by the City of Windsor for wastewater treatment (\$237,000). The Town also incurred unplanned repairs expenses as a result of equipment failures and Technical Standards and Safety Authority (TSSA) inspection (\$58,000).

The \$68,000 surplus in Salaries & Benefits mainly stems from multiple vacancies throughout the year.

Tax Support Variance - 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 2023 as identified within department five-year capital plans is detailed in **Attachments 3 through 7**.

In total, 132 projects are included in the Year-End Capital Variance Report for a total budgeted cost of \$94 million. Projects in this report are either included in the 2023 Capital Works Plans and/or included in prior year Capital Works Plans and incurring 2023 costs. A significant portion of this budgeted spend will occur in 2024-2025 as a number of large-scale projects will span years to complete from start to finish.

Project surplus/deficits affect the amount of reserve funds required and results in increasing or decreasing the transfer from reserve.

Information on 2023 tender results is detailed in **Attachment 8**.

Consultations

All departments.

Financial Implications

Summary of the year-end variance is as follows:

Tax supported services	Amount
Operating surplus	\$434,058

Rate supported services	Amount
Operating surplus - Water	\$210,386
Operating surplus - Wastewater	\$(203,490)

Total Surplus	\$440,954
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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 – Public Works
4	2023 Capital Variance – Technology and Communications
5	2023 Capital Variance – Community Safety
6	2023 Capital Variance – Arena, Pool & Buildings
7	2023 Capital Variance – Parks
8	2023 Tender Results