



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 10, 2024

Report Number: FS-2024-16

Subject: Budget Variance Report – June 2024

Recommendations

It is recommended:

That report FS-2024-16, Budget Variance Report – June 2024, showing a projected tax-supported surplus of \$71,337 and a rate-supported deficit of \$533,622 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, 2024, Administration is projecting a year-end deficit in the Operating Fund of \$462,285. This is made up of a tax-supported surplus of \$71,337 and a rate-supported deficit of \$533,622.

Key drivers of the projected surplus include:

- Tax Supported:
 - o Investment Income (\$1,819K Surplus) – Represents higher than average monthly bank balances and interest rates (\$1,800K). These additional funds are transferred to Reserves, thus resulting in a NIL impact to the Operating budget.

- Grants (\$135K Deficit) – Driven by timing of the Housing Action Plan (HAP) funding initiatives (\$115K). Offset by timing of expenditures related to HAP initiatives, thus limiting the impact to the Operating budget.
 - User Fees, Permits & Charges (\$90K Deficit) – Construction at the Arena required temporary closures of the facility resulting in decreased revenue (\$70K Arena and \$31K Recreation Programs).
 - Net Transfers To/From Reserves (\$1,565K Deficit) – Compared to budget, the projection shows us requiring \$1,565K less from Reserves to fund operations. This is largely due to increased Investment Income (\$1,800K), partially offset by higher than anticipated payouts for Mainstreet Community Improvement Plan (\$303K).
 - Grants & Donations (\$322K Deficit) – Represents additional expenditures related to four (4) Mainstreet Community Improvement Plan (CIP) projects on Tecumseh Road. Expenditures exceeding budget will be funded from accumulated CIP reserves as noted above
 - Salaries & Benefits (\$307K Surplus) – Favourability stemming from multiple vacancies.
 - Operating & Maintenance Supplies (\$216K Deficit) – Mainly due to repairs on storm sewer pump systems (\$59K), various vehicles (\$52K) and street lighting repairs associated with accidents and storms (\$40K).
- Rate supported:
- Contracted Services (\$592K Deficit) – Due to higher than budgeted rate for wastewater treatment costs from the City of Windsor.
 - Grants & Donations (\$52K Surplus) – Favourability driven by lower than anticipated participation in backwater valve subsidy program.
 - Salaries & Benefits (\$19K 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 2024 as identified within department five-year capital plans is detailed in **Attachments 3 through 10**.

In total, over 110 projects are included in this variance report having a total budgeted cost of \$120M.

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 summarizes the 2024 projected year-end variances by department, listed in order from the largest dollar deficit to the largest dollar surplus. As of our June 2024 variance analysis, we project a year-end deficit of \$462,285 (tax-supported surplus of \$71,337 and a rate-supported deficit of \$533,622).

Attachment 2 describes significant variances for each department.

Tax Supported Variances – Operating Fund

As of June 30, 2024, Administration is projecting a year-end surplus of \$71,337. This variance is broken down by major account category in **Table 1** below.

Account Category		Net Favourable/ (Unfavourable) Variance
Revenue		
Grants	\$	(135,220)
User fees, Permits & Charges		(89,912)
Other		(2,075)
Taxes		75,279
Transfers from Reserves		231,128
Investment Income		1,819,298
Subtotal - Revenue	\$	1,898,498
Expenses:		
Transfers to Reserves	\$	(1,796,478)
Grants & Donations		(322,215)
Operating & Maintenance Supplies		(216,380)
Professional Development		14,770
Other		22,671
Professional Services		40,005
Contract Services		123,072
Salaries & Benefits		307,394
Subtotal - Expenses	\$	(1,827,161)
2024 Forecasted Year-End Surplus	\$	71,337

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 \$1,800,000.

The surplus from the “Transfers from Reserves” category is mainly driven by anticipated Mainstreet Community Improvement Plan payouts of \$430,000 (mainly four large apartments). The first \$125,000 will be funded through the Operating budget. The remaining \$303,000 is being funded through Reserves. This offsets the “Grants and Donations” expense category.

Offsetting these surpluses are projected deficits within “Grants” and “User fees, Permits & Charges” categories. The deficit in “Grants” is driven by the timing of the HAP funding initiatives (\$115,000 “Planning & Zoning” department). The anticipated reduction in “User fees, Permits & Charges” revenue is due to the closure of the Arena facility while construction is completed (\$70,000 “Arena” and \$31,000 “Recreation Programs” departments).

Expense Variance

Overall, a budget to actual deficit of \$1,827,000 is anticipated for expenditures. The deficit projected for “Transfers to Reserves” mainly represents an offset to the surpluses in the “Investment Income” category. The deficit in “Grants and Donations” category is offset by the “Transfers from Reserves”.

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

Rate Supported Variances

As of June 30, 2024, Administration is projecting a year-end rate-support deficit of \$533,622. 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	\$	(8,974)
Subtotal - Revenue	\$	(8,794)
Expenses:		
Contracted Services	\$	(592,031)
Other		(5,470)
Utilities & Insurance		2,521
Salaries & Benefits		18,532
Grants & Donations		51,800
Subtotal - Expenses	\$	(524,648)
2024 Forecasted Year-End Deficit		\$ (533,622)

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

Explanation of Key Variances

Expense Variance

The projected deficit for “Contract Services” (\$592,000) is driven by higher than budgeted rates for wastewater treatment costs from the City of Windsor.

The projected deficit for “Purchases for Resale” is due to a higher than budgeted usage (\$19,500).

Salaries & Benefits are projected to have a \$18,500 surplus mainly stemming from multiple vacancies. Anticipated surplus in “Grants & Donations” driven by lower than anticipated participation in backwater valve subsidy program (\$51,800).

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 2024 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 \$120M. Projects in this report are either included in the 2024 Capital Works Plan and/or included in prior year Capital Works plans incurring 2024 costs.

Several projects currently ongoing are large-scaled where costs will span multiple years. Projected capital expenditures to year-end total \$54M, resulting in anticipated carry-forward of \$66M of project costs to future years.

Notable on-going large-scaled projects that will span future years include:

- Scully & St. Mark’s Storm Pump Station/Riverside Drive
- PJ Cecile Storm Pump Station
- Lesperance Road (Riverside to First) & Little River Trail
- Tecumseh Hamlet Secondary Plan Area Northwest Water and Wastewater Servicing
- Centennial and Woodbridge Watermain Replacement
- Cedarwood Sanitary Pump Station
- Manning Road Secondary Plan Area Stormwater Infrastructure

Notable large-scaled projects that have completed or are expected to complete this year include:

- Arena Restoration
- Lakewood Washroom and Water Feature
- Lacasse Baseball Grandstand Replacement
- Lacasse Park Landscaping, Parking Lot, Pathways and Pavilion
- Cada Library Renovations
- Maidstone Recreation Centre – Outdoor Washrooms
- Public Works Building Improvements

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

Information on 2024 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 Surplus	\$ 71,337

Rate supported services	Amount
Operating deficit - Water	\$ 11,522
Operating deficit - Wastewater	(545,144)

Total deficit	\$ (462,285)
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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
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	2024 Budget Variance – Summary All Units
2	2024 Budget Variance – Detail by Department
3	2024 Capital Variance – Arena
4	2024 Capital Variance - Pool
5	2024 Capital Variance – Community Safety
6	2024 Capital Variance - Building
7	2024 Capital Variance – Public Works
8	2024 Capital Variance – Technology and Communications
9	2024 Capital Variance – Parks
10	2024 Tender Results