



## 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:** November 12, 2024

**Report Number:** FS-2024-18

**Subject:** Budget Variance Report – August 2024

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### Recommendations

It is recommended:

**That** report FS-2024-18, Budget Variance Report – August 2024, showing a projected tax-supported surplus of \$295,536 and a rate-supported deficit of \$111,295 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 surplus in the Operating Budget of \$182,241. This is made up of a tax-supported surplus of \$295,536 and a rate-supported deficit of \$111,295.

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 (\$105K 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 (\$171K Deficit) – Construction at the Arena required temporary closures of the facility resulting in decreased revenue (\$86K Arena and \$28K Recreation Programs).
  - Net Transfers To/From Reserves (\$1,698K Deficit) – Compared to budget, the projection shows us requiring \$1,698K 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 (\$315K 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 (\$489K Surplus) – Favourability stemming from multiple vacancies.
  - Operating & Maintenance Supplies (\$139K Deficit) – Mainly due to repairs on the Arena (\$59K), other facilities (\$83K), various vehicles (\$59K) and street lighting repairs associated with accidents and storms (\$26K). This deficit is offset by decrease in winter salt purchases (\$141K).
- Rate supported:
- User fees, Permits & Charges (\$424K Surplus) – Favourability due to higher than budgeted commercial water consumption.
  - Contracted Services (\$592K Deficit) – Driven by higher than budgeted rate for wastewater treatment costs from the City of Windsor.
  - Grants & Donations (\$72K Surplus) – Favourability driven by lower than anticipated participation in backwater valve subsidy program.

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 115 projects are included in this variance report having a total budgeted cost of \$121M.

## 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 regularly 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 August 2024 variance analysis, we project a year-end surplus of \$182,241 (tax-supported surplus of \$295,536 and a rate-supported deficit of \$111,295).

**Attachment 2** describes significant variances for each department.

### Tax Supported Variances – Operating Fund

As of August 31, 2024, Administration is projecting a year-end surplus of \$295,536. This variance is broken down by major account category in **Table 1** below.

Account Category		Net Favourable/ (Unfavourable) Variance
<b>Revenue</b>		
User fees, Permits & Charges	\$	(171,320)
Grants		(105,423)
Other		(2,075)
Taxes		43,437
Transfers from Reserves		167,316
Investment Income		1,819,298
<b>Subtotal - Revenue</b>		1,754,906
<b>Expenses:</b>		
Transfers to Reserves	\$	(1,865,188)
Grants & Donations		(315,747)
Operating & Maintenance Supplies		(139,257)
Professional Development		20,247
Contract Services		25,857
Professional Services		107,748
Other		215,874
Salaries & Benefits		489,096
<b>Subtotal - Expenses</b>	\$	(1,461,370)
<b>2024 Forecasted Year-End Surplus</b>	<b>\$</b>	<b>293,536</b>

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. This is offset by an increase in Transfers to Reserves of \$1,800,000. Thus, the net impact to the Operating budget is NIL.

The anticipated reduction in “User fees, Permits & Charges” revenue is mainly driven by the closure of the Arena facility while construction is completed (\$86,000 “Arena” and \$28,000 “Recreation Programs” departments).

The deficit in “Grants” is driven by the timing of the HAP funding initiatives (\$115,000 “Planning & Zoning” department).

### **Expense Variance**

Overall, a budget to actual deficit of \$1,460,000 is anticipated for expenditures. The deficit projected for “Transfers to Reserves” mainly represents an offset to the surpluses in the “Investment Income” category (\$1,800,000).

This deficit is partially offset by a surplus in “Wages and Benefits” mainly stemming from multiple vacancies (\$489,000).

## Rate Supported Variances

As of August 31, 2024, Administration is projecting a year-end rate-supported deficit of \$111,295. The projected year-end variance broken down by major account category is presented in **Table 2** below.

Account Category	Net Favourable/ (Unfavourable) Variance	
<b>Revenue</b>		
User fees, Permits & Charges	\$	424,212
<b>Subtotal - Revenue</b>	<b>\$</b>	<b>424,212</b>
<b>Expenses:</b>		
Contracted Services	\$	(592,031)
Purchases for Resale		(25,771)
Other		13,845
Grants & Donations		71,800
<b>Subtotal - Expenses</b>	<b>\$</b>	<b>(535,507)</b>
<b>2024 Forecasted Year-End Deficit</b>	<b>\$</b>	<b>(111,295)</b>

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

## Explanation of Key Variances

### Expense Variance

Projected surplus in “User fees, Permits & Charges” is a result of higher than budgeted commercial consumption. This surplus is offset by projected deficit for “Contract Services” (\$595,000), which 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 (\$25,800).

Anticipated surplus in “Grants & Donations” driven by lower than anticipated participation in backwater valve subsidy program (\$71,800).

## **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 115 projects are included in this variance report having a total budgeted cost of \$121M. 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-scale where costs will span multiple years. Projected capital expenditures to year-end total \$51M, resulting in anticipated carry-forward of \$70M of project costs to future years.

Notable ongoing large-scale 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
- Lakewood Washroom and Water Feature

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

- Arena Restoration
- 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:

<b>Tax supported services</b>	<b>Amount</b>
Operating Surplus	\$ 295,536

<b>Rate supported services</b>	<b>Amount</b>
Operating Surplus - Water	\$ 170,542
Operating Deficit - Wastewater	(281,837)

<b>Total Surplus</b>	<b>\$ 182,241</b>
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## Link to Strategic Priorities

Applicable	<a href="#">2023-2026 Strategic Priorities</a>
<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

<b>Attachment Number</b>	<b>Attachment Name</b>
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 and Recreation Services
6	2024 Capital Variance – Community Safety
7	2024 Capital Variance – Technology and Client Services
8	2024 Capital Variance – PWES
9	2024 Capital Variance – Buildings
10	2024 Tender Results