



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, 2019

Report Number: FS-2019-04

Subject: 2018 Year-End Budget Variance Report

Recommendations

It is recommended:

That the 2018 Year-End Budget Variance Report, dated June 25, 2019, showing a tax-supported surplus of \$761,048 **be received;**

And that surplus **transfers be made** as follows:

- a) \$745,336 operating fund surplus to Infrastructure Reserve;
- b) \$15,712 capital fund surplus to Infrastructure Reserve.

Background

Council received Financial Services Report FS-2018-16 "Budget Variance Report – August 31, 2018" at its November 13, 2018 Council Meeting. The report noted an estimated year-end tax-supported operating surplus of \$375,000.

Comments

Operating Fund

Tax Supported

The year-end surplus is \$761,000, compared to the projected August 31 forecast surplus of \$375,000.

The major differences between actual and projected year-end results from August include:

- Supplementary tax revenue greater than estimated: \$108,000
- Miscellaneous revenues greater than estimated, primarily benefitting from a one-time accounting adjustment: \$172,000
- User charge revenues greater than estimated: \$41,000

A common variance affecting departments throughout the corporation is:

- Electricity costs less than estimated due to continuance of provincial rebate: \$59,000

Major budget variances from the year, actual versus budget, are as follows:

Variance Item	Amount
Council – Health costs under budget due to lower enrollment numbers.	(22,000)
Council – Fewer AMO meetings due to provincial election and transition period for new government.	(5,000)
Corporate shared – Taxation revenue greater than budget due to greater than estimated property assessment growth.	(89,000)
Corporate shared – Supplementary Taxation revenue greater than budget partly due to timing lag (2017 year-end supplementary revenue less than budget) and significant in-year assessment growth for residential (\$192,000) and industrial (\$107,000) property classes, partly offset by lower commercial growth \$9,000.	(290,000)
Corporate shared – User charges revenue greater than budget primarily due to one-time accounting adjustment to clear an accrued liability (\$118,000). Additional favourable variances due to a sales tax credit, LAS natural gas rebate and WSIB NEER refund.	(140,000)
Corporate shared – Provincial Offences Fines revenue under budget by \$36,000. Annual revenues from this source have been unpredictable and range widely year-to-year.	36,000
Corporate shared – Penalties and Interest revenue less than budget as property tax arrears have held at just under 5%.	17,000

Variance Item	Amount
Corporate shared – Increase in prime rate resulted in a \$322,000 favourable variance in Bank Interest income; transferred to Tax Rate Stabilization Reserve so no net impact.	0
Corporate shared – Transfer from Reserves of \$20,000 for Fire Association and CUPE 702.13 wage settlements, fully offset by settlement increases recorded within each department. Provision of \$25,000 for anticipated Health cost increases not required.	(5,000)
Corporate shared – Health benefit Administrative Costs Only (ASO) is favourable due to lower claims paid out. \$47,000 transferred to ASO Benefits Reserve; no net impact.	0
Corporate shared – Office trailer set-up and rental costs were not budgeted.	17,000
Corporate shared – Grant towards accessible entry project, Royal Canadian Legion Branch 594.	5,000
Corporate shared – Tax Write-off lower due to decrease in vacancy rebate claims (\$40,000) and lower assessment appeal activity (\$87,000).	(127,000)
Corporate shared – Bad Debt expense allowance for doubtful collection of cost recovery invoices regarding damage to Town property.	11,000
Corporate shared – Transfer to Reserve reflects excess bank interest of \$322,000 and EPC dividend \$30,000 allocated to the Tax Rate Stabilization Reserve, a transfer of \$46,000 to the Sick/Vacation Reserve for increased liability and \$47,000 transfer to ASO Reserve. The \$972,611 prior year surplus included in the transfer is offset by an opening surplus adjustment in the financial statement.	76,000
CAO – Temporary budget gapping for benefits.	(25,000)
CAO – Legal fees \$193,000 over budget due to renewed activity on outstanding legal matters. Partly offset by transfer from reserve.	68,000

Variance Item	Amount
CAO – Professional Fee – Other less than budget due to lower activity.	(36,000)
CAO – Travel and mileage greater than budget due to additional meetings requiring travel.	7,000
ICS – Favourable variance in Computer Support/Software due to software licensing through the County of Essex.	(5,000)
Financial Services – Office Supplies and Equipment under budget primarily due to discontinuance of a financial software module.	(5,000)
Corporate Services and Clerk – Salaries and Benefits under budget due to position vacancy and salary gapping.	(55,000)
Corporate Services and Clerk – Professional Development under budget primarily due to lower Education/Seminar activity.	(5,000)
Corporate Services and Clerk – Legal fees greater than budget due to ongoing claims.	10,000
Human Resources – Professional Fees over budget largely 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 used for various committee initiatives.	0
Fire – Revenues greater than budget largely due to increase in service calls.	(11,000)
Fire – Salaries and Benefits – Salaries over budget due to Volunteer Firefighters Association pay increase partially offset by favourable Benefits position.	5,000

Variance Item	Amount
Police – User charge revenue favourable largely due to higher than anticipated demand for O.P.P Reports & Clearances and Alarm Registrations.	(14,000)
Police – Contracts – Favourable variance due to 2018 billing coming in less than budget estimate and the 2017 contract reconciliation surplus of \$26,000.	(62,000)
Building – Permit revenue favourable compared to budget due to increased activity.	(23,000)
Building – Grants expense re: commercial permit fee exemption offset by transfer from reserve.	0
Bylaw – Miscellaneous revenue favourable due to court ordered cost recovery from cleaning up property.	(5,000)
Bylaw – Legal Fees unfavourable due to ongoing litigation.	11,000
Animal Control – Dog licence revenue over budget due to increase in license fees and use of Commissionaires.	(8,000)
Emergency Measures – Miscellaneous revenues favourable due to greater than expected generator revenue.	(10,000)
Roadways – Received grant revenue for Ontario Summer Student Program.	(7,000)
Roadways – Driveway permits greater than budget due to new construction.	(7,000)
Roadways – Interfunctional cost recovery 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 and staff overtime.	26,000

Variance Item	Amount
Roadways – One Call service usage less than anticipated.	(5,000)
Roadways – Street Signs over budget due to sign reflectivity inspection costs.	11,000
Roadways – Miscellaneous Service over budget due to parking lot agreement and additional billing for West Nile Virus program.	6,000
Roadways – Maintenance Service showing unfavourable variance due to required parking lot repairs.	12,000
Roadways – Vehicle Parts & Service over budget due to several large unanticipated repairs (backhoe \$8,000; sweeper \$4,000; trackless \$11,000)	33,000
Roadways – Electricity costs below budget due to provincial limit on annual increases.	(16,000)
Roadways – Roadside Maintenance Service over budget largely due to weed spraying, ditch cleaning, and guard rail repair.	\$8,000
Winter Control – Overall unfavourable due to harsh winter weather (Wages and Benefits \$36,000; Salt \$144,000, Maintenance Services \$6,000).	186,000
Street Lighting – Materials and supplies unfavourable due to costs incurred for street pole replacement.	5,000
Street Lighting – Maintenance Service unfavourable due to unexpected repairs; higher than expected monthly bills due to EP repairing hard to find issues which were backlogged. Partially offset by motor vehicle accident cost recovery.	20,000
Street Lighting – Electricity costs below budget due to provincial limit on annual increases.	(29,000)

Variance Item	Amount
Transit - Contract costs have exceeded budgeted amount due in part to the fuel escalation clause, the Corn Fest Shuttle (approx. \$1,000) and the cost to use the FSC bus (\$21/hr) when both Town-owned buses were out of operation.	10,000
Storm Sewers – Miscellaneous Revenue for sale of electricity to grid (Manning Road pump) exceeded budget by \$10,000. Transferred to reserve to repay generator purchase cost. No net impact.	0
Storm Sewers – Computer support/software was favourable due to the decision to move to iPads as opposed to laptops.	(5,000)
Storm Sewers – Electricity costs below budget due to provincial limit on annual increases.	(18,000)
Storm Sewer – Miscellaneous Revenue over budget due to cost recoveries, offsetting additional Materials & Supplies expenses.	(5,000)
Garbage Disposal – Tonnage below budget forecasts with lower tipping fees.	(63,000)
Parks – Grants – Summer student program funding received but not budgeted.	(20,000)
Parks – User Charges revenue favourable due to the sale of benches as well higher than expected number of pavilion and park rentals.	(8,000)
Parks – Salaries and Benefits – Wages Bill 148 impact for Seasonal staff offset by lower full-time and student hours.	(23,000)
Parks – Materials and supplies were unfavourable due to an increase in expenditures in Q4 for tulip planting and Christmas light decorations.	9,000
Parks – Gasoline expense over budget due to higher unit cost and increased usage.	8,000

Variance Item	Amount
Parks – Tree Trimming and Removal were favourable due to fewer storm events in 2018, along with lower overall requests for trimming and tree removal, resulting in the under-expenditure for the year.	(17,000)
Parks – Building Maintenance over budget due to various unforeseen repairs.	5,000
Parks Buildings – User Charges revenue over budget due to greater rentals.	(5,000)
Arena – User charges exceeded budget due to higher secondary revenue sources (advertising, public skating, donations, and miscellaneous revenue).	(23,000)
Arena – Overall utilities expense favourable primarily due to provincial limit on electricity cost increases, slightly offset by increased natural gas expense.	(18,000)
Concession – Lower than budgeted concession revenues. Sales remained relatively consistent with 2017.	5,000
Recreation Programs – Revenues greater than budget due to unanticipated grant funding received.	(13,000)
Recreation Programs – Registrations fees were unfavourable compared to budget.	5,000
Pool – Received grant revenue for Ontario Summer Student Program.	(26,000)
Pool – Wages unfavourable due to Bill 148 impacts.	5,000
Pool – Hydro favourable due to provincial limit on electricity cost increases.	(7,000)
Christmas in Tecumseh – Overall favourable due to small variances in several accounts.	(6,000)

Variance Item	Amount
Corn Festival – Carnival and Admission fee revenues below budget – inclement weather on main day of event a significant factor.	17,000
Corn Festival – Equipment rental exceeded 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
Planning & Zoning – Professional Fees unfavourable due to unforeseen legal expenses incurred in 2018.	5,000
Planning & Zoning – Tecumseh Hamlet Secondary Plan work came in under budget due to reprioritization of projects. Reduces corresponding reserve transfer so no net impact.	0
Planning & Zoning – No legal expenses incurred for Official Plan. Reduces corresponding reserve transfer so no net impact.	0
Planning & Zoning – Grants expense, unfavourable as a number of projects which grants had been committed in previously years were paid out in 2018. Offset by transfer from CIP reserve so no net impact.	0
Committee of Adjustment – Overall favourable due to fewer attendees at annual OACA conference and no OMB/LPAT hearings.	(14,000)
Drainage – Salaries and Benefits favourable due to 6 month vacancy of assistant drainage supervisor position and probationary period.	(26,000)

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated surplus.

Rate Supported

Sanitary operations ended the year with a surplus of \$268,000 and water operations ended with a deficit of \$157,000, compared to the projected August 31 cumulative forecast deficit of \$136,000. Note that a surplus increases the funds available for capital purposes, by way of an

increased transfer to lifecycle, whereas a deficit decreases the available funds for capital purposes.

Significant variations from budget are as follows:

Variance Item	Amount
Sanitary – Sewer Charges under budget due to lower residential water consumption volumes.	135,000
Sanitary – Salaries and Benefits favourable due to position vacancy.	(44,000)
Sanitary – Maintenance Service costs favourable due to maintenance issues being repaired through OCIF and CWWF programs.	(23,000)
Sanitary – Contract costs favourable (\$297,000) due to lower volumes and treatment costs incurred. Favourable costs were offset by unforeseen repairs to Lakewood pump station (\$12,000) and miscellaneous service (\$18,000).	(267,000)
Sanitary – Professional Fees – Engineering is favourable compared to budget as more engineering work was performed in house as opposed to being outsourced.	(15,000)
Sanitary – Participation in backwater valve Grants program declining.	(58,000)
Sanitary – Billing adjustment – no longer servicing Banwell Gardens retirement home effective 2017.	20,000
Sanitary/Water – Budget to actual reconciliation re: water billing service being provided by Essex Power	40,000
Water – Overall Water Sales \$29,000 favourable due to higher non-residential and fixed charges; partially offset by lower residential charges.	(29,000)
Water – Wages & Benefits favourable largely due to position gapping.	(12,000)

Variance Item	Amount
Water – Education & Seminar fees favourable as less training was required in 2018.	(6,000)
Water – Professional Services – over budget due to WUC water purchase agreement mediation process.	47,000
Water – Grants revenue relates to reversal of accrual for Oldcastle meters.	(45,000)
Water – Work Orders activity greater than budget.	(13,000)
Water – Water Purchases was unfavourable due to the inclusion of 2017 retro adjustment re: WUC rate adjustment mediation (\$95,000). 2018 impact of rate adjustment is (\$98,000). Also included is a favourable variance due to 2018 estimated CPI vs actual CPI of \$20,000.	173,000
Water – Maintenance Service was unfavourable due to higher than anticipated maintenance service in Q4; damaged gas line.	13,000
Water – Vehicle Parts & Service was unfavourable due to an aging fleet.	15,000

Capital Fund

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to actual results. Generally, projects took place as planned in the various departmental 2018 Capital Works plans and actual results are within those approved funding envelopes with a small surplus of \$15,712.

Items of note include:

- The tender for Rossi Drive sanitary sewer extension was awarded to Amico Infrastructures Inc. in the amount of \$1,364,200 excluding HST. Total projected costs are \$1,718,900 excluding HST, well under the original \$2,281,800 estimate per PWES Report No. 57-17. The project is substantially complete, with minor deficiencies and surface course asphalt remaining.
- The Tender for St. Mary's Splash Pad was awarded to Open Space Solutions Inc. in the amount of \$160,000 excluding HST. Total project costs came in very close to the budgeted amount of \$200,000 (Parks & Recreation Department Report No. 25-17). The splash pad has been installed and is operational.
- The tender for Various Watermain Improvements was awarded to Sherway Contracting in the amount of \$742,745.00 excluding HST. Total estimated project costs are \$929,325 excluding HST, which is under the original \$1,196,900 estimate (PWES Report 57-17). The project is substantially completed, with minor deficiencies remaining.
- The tender for the Cascade SCBA equipment for Fire Hall # 2 was awarded to Levitt Safety Limited in the amount of \$53,937.91 excluding HST. There were no additional costs associated with the purchase of this equipment and is under the original \$70,000 estimate (Fire & Emergency Services Report 01-17). The equipment has been installed and is operational.
- The tender for the Storage Addition Fire Hall # 2 was awarded to Bear Construction & Engineering Services in the amount of \$188,500 excluding HST. Sfera Architectural Associates Inc fee for their work on this project is \$12,000. The total project costs are \$200,600, slightly over the original \$200,000 estimate (Parks & Recreation Department Report 25-17). The addition is complete.
- The tender for Supply of Equipment Parks Department was awarded to G.C. Duke (rotary mower) and Vermeer Canada Inc. (wood chipper) in the total amount of \$167,145 excluding HST with trade in values totaling \$58,000 plus HST for a net cost of \$109,145 plus HST. There were no additional costs associated with the purchase of this equipment, which came in under the original \$119,000 estimate (PWES Report 03-18). The equipment has been delivered.
- The tender for Supply of Vehicles was awarded to three different dealerships for a total cost of \$174,470. This amount is under the approved allocation of \$179,000 (PWES Report No. 18-03). All of the vehicles have been delivered.

- The tender for the Water Anode Program was awarded to C.P. Systems Ltd in the amount of \$40,220 per 1,000m plus HST of anode protection. The tender was structured so that the amount of anodes installed or watermain protected would not exceed the approved allocation (PWES Report No. 57-17).
- The tender for the Supply of a Water Service Truck was awarded to Windsor Chrysler in the amount of \$64,364.56. The amount is over the approved allocation of \$55,000 (PWES Report No. 18-03). The deficit amount can be reduced by \$2,000 which was earmarked for vehicle outfitting and \$4,000 for the auction proceeds of the truck that was replaced. The vehicle has been delivered.
- The tender for the supply of a Fire Service Chief Truck was awarded to Rose City Ford in the amount of \$49,495.57 plus HST, which is very close to the approved allocation \$45,000 (PWES Report No. 18-03) plus approved outfitting costs of \$5,000. The vehicle has been delivered.
- The tender for the supply of a Transit Bus was awarded to Overland Custom Coach in the amount of \$174,480 plus HST. The total acquisition cost \$184,480, includes \$10,000 associated ancillary costs. The total project cost is under the \$190,000 estimate (PWES Report No. 18-03). The bus has been delivered and is currently in use.
- The tender for Asphalt Paving 2018 was awarded to Coco Paving in the amount of \$1,325,140 plus HST. The total project cost is under the approved allocation (PWES Report No. 57-17).
- The tender for Fire Rescue Services SUV was awarded to Gus Revenberg Chevrolet in the amount of \$44,985 plus HST. The total project cost, \$50,985, is over the approved allocation (PWES Report No. 18-03) as this includes \$6,000 for outfitting the vehicle. The deficit will be offset by auction proceeds of the disposed vehicle.
- The tender for Tar & Chip which includes crack sealing was awarded to Shepley Road Maintenance in the amount of \$149,500 plus HST. The total project cost is under the approved allocation of \$325,000 (PWES Report No. 57-17). The work is complete.
- The tender for the 7th Concession Drain Repair & Improvement was awarded to Murray Mills in the amount of \$272,539.50 excluding HST. The amount is 16% over the Engineer's estimate of \$ 234,675.00. Work is ongoing.
- The tender for the Supply of the Arena Ice Resurfacers for 2019 and 2020 was awarded to Zamboni Company in the amount of \$97,876.50 plus HST and \$93,226.50 plus HST. The total acquisition cost is under the approved allocation, \$110,000 for each machine, (Parks & Recreation Department 18-15). The ice resurfacers for 2019 has been delivered.
- The tender for General Insurance & Risk Management Services was awarded to Frank Cowan Company in the amount of \$295,428 plus PST.

- The tender SCADA System upgrade was awarded to Onyx Engineering in the amount of \$117,975 plus HST. Total project cost of \$139,823 is over the approved allocation (PWES 57-17) as it includes annual software support, hardware maintenance and equipment calibration.

Consultations

All departments

Financial Implications

Summary of the Year-End results is as follows:

Operating Surplus	\$745,336
Capital Surplus	\$15,712
Total Surplus	\$761,048

Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
<input checked="" 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 checked="" 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 checked="" 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 checked="" 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:

Zora Visekruna, MBA
Financial Analyst

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	2018 Year-End Budget Variance