



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: August 13, 2019

Report Number: FS-2019-10

Subject: Budget Variance Report – June 2019

Recommendations

It is recommended:

That Financial Services Report # FS-2019-10, Budget Variance Report – June 2019, is received.

Background

All departments have reviewed second quarter actual results in order to identify and report on variances from budget. This analysis looks at both operating and capital budgets.

Directors were also asked to provide year-end projected results to determine if we expect to be in a surplus or deficit position at the end of the year.

Comments

Operating Fund

The 2019 Q2 Variance analysis projects a year-end surplus of \$331,000 (Tax Supported surplus \$183,000 and Rate Supported surplus \$148,000).

It is important to note that the projections are based on a number of estimates which can vary significantly prior to year-end.

In formulating estimates where there is a range of expected results, Administration used the lower end of the range in order to be conservative in our projections. Significant items of note include:

Budget Item	Amount
Council – Health under budget due to lower enrolment numbers and claims.	(23,000)
Corporate Shared – Supplementary taxation revenue is expected to be under budget due to less than anticipated assessment growth.	20,000
Corporate Shared – Ontario Municipal Partnership Fund (OMPF) grant revenue unfavourable due to a decrease in allocation.	8,000
Corporate Shared – Ontario Specific Grants showing favourable variance due to receipt of OCLIF cannabis grant.	(17,000)
Corporate Shared – Provincial Offences Act (POA) fines revenue trending lower than budget.	20,000
Corporate Shared – With the Insurance RFP, new premiums were 25% less than anticipated. Therefore, Transfer from Reserve for budgeted insurance increases is not required.	29,000
Corporate Shared – Miscellaneous Service expected to come in under budget as the tax roll review was suspended pending in-house analysis. Reduces the corresponding transfer from reserve, so no net impact.	0
Corporate Shared – Tax write-off expense under budget due to lower assessment appeal activity. Larger favourable variance by year end possible.	(25,000)
Corporate Shared - Deficit forecast reflects the \$761,048 allocation of the 2018 surplus, which is offset by an opening surplus adjustment in the financial statement.	0
CAO – Overall wages and benefits over budget due to CAO retirement.	7,000

Budget Item	Amount
CAO - Forecasting a favourable variance in Professional Fees – Other due to lower than anticipated activity.	(26,000)
Financial Services – Wages and Benefits projected to be under budget due to temporary position vacancies and salary gapping. Retirement payout less than budget thereby reducing the corresponding Transfer from Reserve.	(68,000)
Financial Services – Professional Fee – Other expected to show variance due to policy review.	15,000
Corporate Services and Clerk - Professional Fee - Other anticipated to come in under budget.	(10,000)
Human Resources – Professional Fee – Legal expected to show unfavourable variance due to various employment matters.	10,000
Human Resources – Professional Fee – Other expected to be over budget re: Council compensation review.	11,000
Fire – Wages and Benefits under budget due to retirement. Potential for greater variance by year end depending on duration of vacancy.	(6,000)
Fire – Dispatch expense will show favourable variance due to reduction in monthly charge for radios.	(9,000)
Fire – Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(14,000)
Police – Alarm registration revenue coming in over budget due to greater volumes.	(6,000)
Building – Wages & Benefits are projected to be favourable due to temporary position vacancy.	(22,000)

Budget Item	Amount
By-law Enforcement – Wages & Benefits are projected to be favourable due to temporary position vacancy.	(10,000)
Roadways – Wages projected to be over budget largely due to staff overtime.	22,000
Roadways – Gasoline expense is expected to be over budget largely due to greater than estimated usage.	10,000
Roadways – Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(19,000)
Roadways – Vehicle Maintenance due to a few major repairs (transmission failure and replacement, cooling repair, vehicle overhaul etc.).	40,000
Street Lighting – Hydro rates came in less than budget estimates resulting in a favourable variance for Utilities – Hydro & Water.	(29,000)
Street Lighting – Maintenance Service is expected to come in over budget due to additional underground faults and pole repairs.	14,000
Storm Sewer System - Materials & Supplies anticipated to be over budget due to flooding supplies needed over and above what is required for general operational needs. Estimate is a placeholder; to be refined next variance analysis.	71,000
Storm Sewer System – Electricity costs projecting to be under budget due to lower commodity costs.	(10,000)
Storm Sewer System – Professional Fee – Engineer expected to show unfavourable variance due to engagement of consultants to review potential issues associated with high lake levels.	12,000
Storm Sewer System - Insurance expense significantly under budget due to much lower premiums resulting from the Insurance RFP.	(8,000)

Budget Item	Amount
Parks – OPA Green initiatives grant confirmed.	(10,000)
Parks – Wages & Benefits – Projected to be favourable as salaries were budgeted for full capacity, whereas actual hours are trending less than budget estimates. Benefit rates incurred are lower than anticipated.	(47,000)
Parks – Insurance projected as favourable as new premiums were 25% less than budgeted.	(7,000)
Arena – Ice rentals projected to be unfavourable due to less ice-time scheduled by major user groups.	5,000
Arena – Salaries & Benefits – Projected to be lower than budget due to temporary vacancy and lower benefit rates than anticipated.	(19,000)
Arena – Utilities – Hydro & Water are projected to be favourable due to the decrease in commodity costs.	(16,000)
Arena – Insurance projected to be favourable as new premiums are 25% lower than budgeted.	(16,000)
Pools – Canada Summer Jobs grant projected to be lower than originally budgeted.	6,000
Recreation Programs – Summer Day Camp forecasting a favourable variance due to a combination of higher than projected revenue as well as a favourable salaries & benefits variance.	(7,000)
Corn Festival – Booth Revenue expected to be lower than budgeted due to lower vendor participation than in previous years.	5,000
Planning and Zoning – Official Plan – Professional Fee Legal – anticipated to be under budget. Reduces reserve transfer so no net impact.	0

Budget Item	Amount
Planning and Zoning – Wages & Benefits – Projected to be favourable due to a temporary position vacancy, change in rate and allocation.	(22,000)

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

Rate-Supported

Significant variations from budget are expected to be:

Budget Item	Amount
Sanitary – There are no projected miscellaneous revenue to be incurred in 2019.	5,000
Sanitary – Wages and Benefits are projected to be under budget due to salary gapping.	(12,000)
Sanitary – Contract costs are projected to be unfavourable as the treatment cost budget did not factor in HST, which was recently determined applicable.	34,000
Sanitary – Utilities – Hydro & Water are projected to be favourable due to the decrease in commodity costs.	(5,000)
Sanitary – Grant expense are projected to be favourable compared to budget due to lower than anticipated interest in the backwater valve grant program.	(69,000)
Sanitary – Interfunctional charges are projected to be favourable to budget due to lower than anticipated labour support from public works.	(16,000)
Water – Lakeshore revenues are projected to be higher than budget due to greater non-residential consumption than expected.	(16,000)
Water – Wages and Benefits – are projected to be favourable due to	(40,000)

Budget Item	Amount
salary gapping and labour hours trending under budget.	
Water – Vehicle Parts & Service – Projecting to be over budget due to an aging fleet.	5,000
Water – Professional Fees (Legal/Engineer/Other) - Projected to exceed budget due to the WUC bulk water purchase agreement mediation process.	16,000
Water – Insurance - projected to be favourable as new premiums were 25% less than budgeted.	(12,000)
Water – SCADA Maintenance projecting to be favourable compared to budget due to the change in service providers.	(6,000)

Numerous accounts with favourable and unfavourable variances of under \$5,000 along with the above-noted items contribute to the estimated operating surplus for rate-supported departments of \$148,000.

Note: that a surplus increases the balance transferred to reserve funds to offset capital requirements.

Capital/Lifecycle

The Capital/Lifecycle analysis consists of reviewing the status of approved projects comparing approved funding to actual results. Items of note include:

- The tender for South Talbot Road Reconstruction and replacement of culverts 46 and 47 was awarded to Amico Infrastructures in the amount of \$2,056,935 excluding HST. Total project costs of \$2,555,460 are under the original estimate (PWES Report No. 2018-08) of \$2,935,500. The project will be in full construction the week of July 15th. Anticipated surplus is approximately \$381,000.
- The tender for North County Rd 11 Sanitary Sewer was awarded to Shearock Construction Group in the amount of \$1,199,000 excluding HST. Total project costs of \$1,577,500 are under the original estimate (PWES Report No.2018-08) of \$1,586,600. The project is expected to be substantially complete at the end of July. Anticipated surplus is approximately \$9,000.
- The tender for Rehabilitation of Bridges #1004, #1013 and #1014 was awarded to South Shore Contracting in the amount of \$518,915 excluding HST. Total project cost of

\$760,900 is over the original estimate (PWES Report No. 2018-08) of \$750,900. Anticipated project deficit is approximately \$10,000.

- The tender for the 2019 Supply of Vehicles was awarded to Amherstburg Chevrolet in the amount of \$78,463 excluding HST. Total cost of \$78,463 is over the original estimate (PWES Report No. 2019-07) of \$72,000 plus outfitting costs. Most of the allocation deficit will be offset by the surplus values received through auction for the respective vehicles being replaced. Anticipated deficit is approximately \$7,900.
- The tender for the McAuliffe Park Renovations was awarded to Vince Ferro Construction in the amount of \$326,289 excluding HST. Total project cost of \$368,852 is below the approved allocation (PRS Report No. 2018-23) of \$450,000. Construction is currently underway. Anticipated surplus is approximately \$81,000.
- The tender for the Supply of Parks Equipment was awarded to South Point Equipment in the amount of \$36,380 plus HST. The trade in value for the replacement mowers is \$17,000. Total costs are below the approved allocation (PWES 2019-07) of \$30,000. The mowers have been delivered and are in operation. Anticipated surplus is approximately \$10,600.
- The tender for the internal lining replacement of the Elevated Water Tower was awarded to Landmark Municipal Services. Total project cost of \$456,256 is below the approved allocation (PWES Report No. 2018-08) of \$470,000. The work has not been scheduled yet but is expected to be completed in the fall. Anticipated surplus is approximately \$13,700.
- The tender for the purchase of a Valve Maintenance trailer was awarded to Wachs Canada in the amount of \$76,460 excluding HST. Total cost of \$77,806 is below the approved allocation (PWES Report No. 2019-17) of \$85,000. The trailer has been delivered and is in use. Anticipated surplus is approximately \$7,200.
- The tender for Architectural Services Town Hall Expansion was awarded to Archon Architects in the amount of \$128,900 excluding HST. Total project cost of \$131,169 is below the approved allocation (CAO Report No. 2019-03) of \$160,000. The architects are in the process of producing construction drawings. Anticipated surplus is approximately \$28,800.
- The tender for Tar & Chip, which includes Crack Sealing, was awarded to Shepley Road Maintenance in the amount of \$218,500 excluding HST. Total project costs of \$222,346 are above the approved allocation (PWES Report No. 2018-08) of 200,000. The tender is based on estimated quantities. The final actual costs will be determined based on actual quantities required. The work is scheduled to be completed by August 31, 2019.
- The tender for Asphalt Paving was awarded to Coco Paving in the amount of \$1,041,000 excluding HST. Total project costs of \$1,059,322 are below the approved allocation (PWES 2018-08) of \$1,100,000. All asphalt paving work is scheduled to be completed no later than August 31, 2019. Anticipated surplus is approximately \$40,600.

Carry over projects continue while approvals for 2019 projects are ongoing. Project surplus/deficits reduce the amount of reserve funds required and are adjusted through increasing or decreasing the transfer from reserve.

Consultations

All Departments

Financial Implications

Although early forecasts indicate an operating surplus of \$331,000, it is important to note that projections are based on a number of estimates which can vary substantially prior to year-end. Administration will continue to closely monitor the budget. An update will be provided following our August Variance process.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input 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 type="checkbox"/>	Ensure that Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all 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 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

Prepared by:

Nick Meloche, CPA, BComm
Financial Analyst Revenue

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	2 nd Quarter Operating Budget Variance Summary