



## THE CORPORATION OF THE TOWN OF AMHERSTBURG

### OFFICE OF CORPORATE SERVICES

**MISSION STATEMENT:** *Committed to delivering cost-effective and efficient services for the residents of the Town of Amherstburg with a view to improve and enhance their quality of life.*

<b>Author's Name:</b> Tracy Prince	<b>Report Date:</b> July 28, 2022
<b>Author's Phone:</b> 519 736-0012 ext. 2254	<b>Date to Council:</b> August 8, 2022
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**To:** Mayor and Members of Town Council

**Subject:** 2021 Year End (Q4) Budget to Actual Summaries and Transfers

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#### 1. **RECOMMENDATIONS:**

It is recommended that:

1. The Transfers to Reserves/Reserve Funds made by the Treasurer as outlined in Appendix A to the 2021 Year End (Q4) Budget to Actual Summaries and Transfers Report **BE AFFIRMED**;
2. That 2022 over-expenditures and reserve transfers **BE APPROVED** as follows:
  - a. \$120,000 to the EV project (May 9, 2022)
  - b. \$300,000 to the Municipal share of Pike Road Drainage project (July 11, 2022) with the remainder of \$205,345 to be included in the 2023 Budget
  - c. \$164,300 Fire Station Design (July 2022)
  - d. \$97,000 Gym Design (July 2022)
  - e. \$200,000 to Employee Related Reserve to be utilized for Implementation of Compensation Review (Aug 8 2022)
  - f. \$15,000 for the precommitment of the 2022 Park House Grant
3. That the Treasurer **BE AUTHORIZED** to transfer the taxation-supported surplus as follows:
  - a. \$395,705 to Building Reserves;
  - b. \$500,000 to the Fleet Reserve; and
  - c. \$150,000 to Tax Stabilization Reserve Fund: and
  - d. \$147,964 (remaining) to the Reserve Fund General; and
4. That the Treasurer **BE AUTHORIZED** to transfer:
  - a. \$1,237,142 to Water Reserves
  - b. \$499,631 to Wastewater Reserves

## **2. BACKGROUND:**

The Town's budget is established by Council each year for operating and capital purposes as a cash-based budget used for the determination of the annual tax levy requirement and user rate impacts.

The cash-based budget estimates are based on Council direction, economic trends, and the best estimates and information available at the time. The actual expenditures and revenues in the various budget centres are monitored by Administration in relation to the approved budget on an ongoing basis. The year-to-date actual and projected results to the end of the year are reported to Council quarterly. The following report provides the final outcomes of the year ended December 31, 2021 (Q4).

## **3. DISCUSSION:**

This report is provided to advise Council of the results for the 2021 fiscal year in relation to the cash-based budget, and the following is a breakdown of the major variances by department. The results by fund (rate) are shown in Appendix B and the results by the budget centre are shown in Appendix C to this report.

It is important to note that the 2021 Results are not reflective of regular Town operations given the pervasive impacts of the pandemic (COVID-19) emergency in 2021. Due to the pandemic emergency, the Town reduced service levels, including staff layoffs and program reductions, implemented alternate service delivery measures, and forwent training and professional development for staff. The Town also incurred expenses for emergency response such as enhanced cleaning and various health and safety measures, the costs of which were mitigated to some extent by Ontario grant funding through the Ontario Safe Restart program. Across the corporation, the investment in staff training and development had to be curtailed due to resource shortages, heavy workload, and operational restrictions, all related to the pandemic emergency. The pandemic emergency has continued into 2022 and financial impacts are being monitored and will be reported to Council in due course.

### **Taxation Funded:**

The taxation-funded budget centres finished the year with an overall operating surplus of \$2,485,203 with particulars by department as outlined below.

### **Office of the CAO**

The Office of the CAO department finished with an overall surplus of \$249,198. This department includes the following budget centres: CAO's Office, Clerk's Services and Council & Committees.

CAO's Office - This budget centre completed the year with a surplus of \$40,463, Operational over-expenditures of \$77,817 are primarily the result of legal fees offset by underspending in training and prof fees. Underspending for staffing and training and professional development offset these over-expenditures.

Clerk's Services – This budget centre completed the year with a \$10,182 deficit. The deficit primarily resulted from over expenditure in Insurance and professional fees offset by staffing vacancies in both full-time and crossing guards, and additional fee revenue realized

Council & Committees – This budget centre competed the year with a surplus of \$77,036 mainly resulting from underspending of Council per diems, training and development, communications expense, and incurred legal fees.

Police – This budget centre realized a surplus budget variance of \$127,483 as a result of unbudgeted revenues, adjustment to transitional costs, lower building utilities, and maintenance costs.

Licensing & Enforcement – This budget centre completed the year with a budget surplus \$14,398 primarily the result of staffing.

### **Corporate Services**

The Corporate Services Department includes Financial Services, Non-Departmental, Information Technology, and Human Resources budget centres. This department finished with an overall surplus of \$842,384.

Financial Services - A \$103,475 surplus resulted mainly from staffing vacancies, underspending for membership fees, training, and professional development, and contracted services. Offset by increased expenditure for Professional fees were incurred for search fees.

Human Resources – This budget centre ended the year with a \$47,628 surplus mainly resulting from underspending on professional fees, corporate training, employee recognition, and training and professional development.

Information Technology – This budget centre had a surplus of \$111,283 of which. The surplus mainly resulted from underspending of computer maintenance anticipated expense for the CityView Portal software implementation project and Cityworks Phase 1 which could not be completed in the year. Other factors contributing to the surplus were staffing vacancies and underspending for internet, and training and professional development expenses. A transfer of \$56,500 has been made to the IT Reserve to fund the balance of the contractual obligation for the implementation of CityView Portal software that will be incurred in 2022.

Non-Departmental - A \$579,998 surplus is mainly due to revenue surplus from \$234,193 in supplementary taxes, and unallocated revenue from the mass vaccine clinic \$285,585. The balance of the variance relates to lower returns on investments, an increase in Conservation Authority Levy, the deferral for school board levy payments, and lower waiver of fees expense due to programs being discontinued due to the pandemic emergency.

### **Fire**

Fire - A surplus of \$71,057 was experienced in this budget centre. The surplus mainly results from underspending for staffing (vacancies, reduced training and lower call

volumes) and surplus revenues for permit fees, which were offset by increased spending of Covid related expenditures.

### **Parks, Facilities, Recreation and Culture**

The Parks, Recreation, Facilities and Culture Department include Facilities, Libro Centre, Parks, Recreation Services and Tourism & Culture budget centres. This department completed the year with an overall surplus of \$345,115.

Facilities – This budget centre had a deficit of \$154,770. The operating mainly results from overspending on facility maintenance and staffing costs, including protective measures in relation to the pandemic emergency to prepare for the reopening of facilities to the public and enhanced cleaning measures, offset by underspending for utilities. Another contributing factor was a revenue shortfall for rents at 320 Richmond as not all tenants occupied the space. Expenditure is not reallocated as a result of staff turnover.

Libro Centre – This budget centre finished with a surplus of \$365,418. Operationally significant shortfalls in revenue (\$239,156). That shortfall is offset by underspending for staffing and utility costs, increases in contracted services, and building maintenance.

Parks – This budget centre finished with a surplus of \$97,191. The operating surplus mainly results from underspending for general supplies, training and development, and wages and benefits (due to staffing vacancies).

Recreation – The Recreation budget centre had a surplus of \$50,425, mainly resulting from revenue shortfalls being offset by underspending for staffing costs, small equipment, concession expense, program and event costs, marketing and advertising, and training and professional development expense. These outcomes largely result from closures related to the pandemic emergency.

Tourism and Culture – This budget centre finished the year with a deficit of \$13,149 mainly related to increased investment in community events and staffing costs, and a reduction in advertising and promotional expenses.

### **Planning & Development**

The Planning, Development & Legislative Services Department includes Planning & Legislative Services, and Building Services budget centres. This department ended with an overall surplus of \$418,437.

Building - This budget centre finished with a surplus of \$395,705 net of funding the taxation-funded overhead expense incurred in other budget centres as allowed under the legislation.

The results of building services operations in 2021 reflected a significant building boom resulting in revenue surplus, underspending on contracted services, training and professional development, offset by overspending for staff costs, professional fees and vehicle maintenance. The net surplus/(deficit) resulting from building services operations are closed out to the Building Services reserve funds as required by legislation.

Planning and Legislative Services – This budget centre finished the year with a surplus of \$22,732 mainly related to vacancies in the Director and Planner positions, fee revenue surplus and underspending for memberships and training and professional development expenses. Underspending of professional fees related to the Official Plan update, Heritage District Study and Community Improvement Plan as those items were not completed in 2021, offset by lower transfers from reserves to fund those costs.

### **Engineering & Public Works**

The Engineering & Public Works Department includes Public Works and Drainage, taxation funded budget centres and Water and Wastewater user rate funded budget centres, which are discussed below. This department finished with a surplus of \$163,778 in the taxation-funded budget centres.

Public Works - This budget centre had a total surplus of \$144,255, including an operating surplus of \$123,482 and a capital surplus of \$20,773. The operational surplus mainly resulted from overspending for solid waste collection and landfill costs, vehicle maintenance, outsourcing of weeding and spraying, higher repairs and maintenance for storm drains and sidewalks and a revenue shortfall for the recovery from Pelee Island for drainage services. Those deficits were mitigated by a fee revenue surplus and underspending for wages and benefits, professional fees, training and professional development, mosquito control, utilities, street light maintenance and tree maintenance.

Despite the budget centre deficit, a requested transfer of \$300,000 to the Drainage Reserve, to provide for funding of the road (Town) share of assessment on the Pike Drain project.

Drainage – A surplus of \$19,523 resulted in the Drainage budget centre related to surpluses in general expenses and equipment and vehicle cost, reduction in write-off expenses.

### **User Rate Funded:**

The user rate-funded budget centres include Water and Wastewater.

### **Water**

Water – this budget centre finished the year with a total deficit of \$203,017, budgeted transfer to reserves of \$1,440,160, actual transfer reserves resulting is \$1,237,142, as a result of the budget deficit.

The operating deficit mainly results from significant water usage increases, partly due to the pandemic, that created a positive revenue variance; as well underspending of general maintenance, salary and benefits related to staffing vacancies, and a higher conservation authority (ERCA) levy than budgeted. This is offset by overspending on water system maintenance and repairs, professional fees, and higher insurance premiums.

### **Wastewater**

Wastewater – this budget centre saw a total surplus of \$590,843, budgeted deficit of \$91,060, with an actual transfer to reserve of \$499,783.

The operating surplus is made up primarily of a revenue surplus from higher sludge disposal fees and increased customer usage, and underspending on wastewater system repairs and maintenance, mainly from underspending on inflow and infiltration-related maintenance. Other factors in the surplus are underspending of utility expenses. This is offset by unbudgeted legal expenses related to the construction of the wastewater treatment plant, service contract costs (OCWA) for higher staff costs (call-ins) and plant maintenance costs, higher property taxes due to a reassessment having multi-year impact, higher landfill tipping fees (sludge disposal) and higher insurance renewal costs.

This report includes transferring the operating surpluses for water and waste water to the respective reserve funds for planned and future capital expenditures, which is consistent with the Town's pay-as-you-go for avoiding the issuance of additional long-term debt when possible.

#### **4. RISK ANALYSIS:**

The recommendations of this report mitigate financial risk by providing funding for unfunded costs, avoiding reliance on long-term debt and enhancing reserve balances to provide financial sustainability.

As noted above, a significant contributor to the surpluses experienced in fiscal 2021 was staffing vacancies, which resulted from pandemic emergency-related service level reductions, staff layoffs, staff leaves of absence, and position gapping. The total salaries and benefit-cost difference accounts for about \$1.15 million of the variance. The gaps in the Town's workforce in 2021 posed a significant challenge in meeting service delivery requirements, lack of knowledge transfer, maintaining adequate levels of staff training and professional development, and posed a risk to retention and attraction of quality staff to work for the Town, not to mention the negative effects on the remaining staff related to workload pressures. This also affected the delivery of capital projects, which contributed to projects not being completed in the budget year.

#### **5. FINANCIAL MATTERS:**

Appendices to this report outline 2021 Budget variances by fund (Appendix B) and by budget centre (Appendix C).

The taxation-funded operating surplus for the year ended December 31, 2021 totaled \$2,089,969 which represents approximately 4.99% of the taxation-funded budget. It is recommended that the taxation-funded surplus be transferred to reserves as supported by the Town's strategic goal of financial stability.

The recommendation to transfer \$150,000 to the Tax Stabilization Reserve would allow the Town to achieve compliance with the Tax Stabilization Reserve Policy section 6.3.1 which stipulates "the minimum Tax Stabilization balance is set at 5% of the Town's gross tax revenue." Based on the policy the minimum reserve balance should be approximately \$2.33 million; however, the reserve currently has a balance of \$1.63 million.

The recommendation to transfer \$500,000 to the Fleet Reserve is based on the fleet lifecycle renewal demands identified in the 5-Year Capital Outlook, with the largest single item during that timeframe being the replacement of a fire tanker estimated at \$580,000. The total estimated fleet renewal demands over the next five years total approximately \$3 million. The fleet reserve currently has a balance of \$0.284 million and the annual contributions are budgeted at \$0.5 million plus the pre-committed transfer of \$0.5 million a planned capital expenditure in 2022 of \$0.835 million which would total \$0.499 million, a shortfall of \$2.5 million for the currently estimated demands of the next five years.

The recommendation to transfer the balance of the 2021 taxation-funded surplus (\$147,964) to Reserve Fund General would assist in providing for asset lifecycle replacements in all other taxation-funded categories (roads, facilities, etc.) Town's Asset Management Plan indicates the infrastructure deficit (to renew existing assets that are currently beyond their useful life) was estimated in the order of about \$23.1 million for taxation-funded assets (2016 dollars) and estimated an **annual** funding deficit for future replacements (after the backlog replacements are completed) of \$11.68 million (2016 \$) for taxation funded assets.

The Water budget centre and Wastewater budget centre are user rate funded, and as such any fiscal surplus or deficit is transferred to/from a Water Reserve account and Wastewater Reserve account respectively, as part of closing out the year end position for those funds.

## **6. CONSULTATIONS:**

The Senior Management Team provided input on the 2021 Q4 results for budget centres within their departments.

## **7. CONCLUSION:**

This report provides the modified cash-basis results for 2021 for the Town. The recommended disposal of the surpluses/deficits reported herein is consistent with the Town's strategic priority of financial sustainability.



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Tracy Prince  
**Director of Corporate Service/CFO**

## Report Approval Details

Document Title:	2022-08-02- 2021 Year End (Q4) Budget to Actual Summaries and Transfers.docx
Attachments:	- Appendix A - 2021 Year End - Q4 - Transfers Made to Reserves-Funds.docx
Final Approval Date:	Aug 3, 2022

This report and all of its attachments were approved and signed as outlined below:

A handwritten signature in black ink, appearing to read "Valerie Critchley". The signature is fluid and cursive, with the first name "Valerie" and last name "Critchley" clearly distinguishable.

Valerie Critchley – CAO/Clerk