



## 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.

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**To: Mayor and Members of Town Council**

**Subject: 2022 Third Quarter (Q3) Variance as at September 30th, 2022**

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#### 1. **RECOMMENDATION:**

It is recommended that:

1. The report from the Director of Corporate Services/CFO dated December 1, 2022, regarding 2022 Third Quarter Variance **BE RECEIVED for information.**
2. That a reserve transfer **BE APPROVED** for the remaining balance of \$205,345 for the Municipal share of Pike Road Drainage Project (July 11, 2022 & Aug 8, 2022).
3. That a transfer **BE APPROVED** for \$96,292 to the Building Reserve from Tax Stabilization Reserve to correct the 2021 year-end surplus allocation (Aug 8, 2022).

#### 2. **BACKGROUND:**

The Town's budget is established by Council each year for operating and capital purposes as required under the Municipal Act. Council approves both:

- i) a cash based budget, used for determination of the annual tax levy requirement and user rate impacts, and;
- ii) an accrual based budget required under Public Sector Accounting Board ('PSAB') standards for reporting in the annual financial statements.

The cash based budget estimates are formed based on Council direction, economic trends and the best estimates and information available at the time of creation.

The actual expenditures and revenues in the various budget centres are monitored by Administration in relation to the approved budget on an ongoing basis throughout the year. The year-to-date and projected year-end results are reported to Council quarterly.

The quarterly projections are based on assumptions and may not be reflective of actual results.

### **3. DISCUSSION:**

This report is provided to advise Council of the operating results for the third quarter of the 2022 fiscal year, in relation to the cash based budget.

It should be noted that the continuing pandemic emergency (COVID-19) has had significant impacts on operations which continued into the first 2 quarters of 2022. With the direction of business returning to normal at the end of the 2<sup>nd</sup> quarter, it is expected that the 3<sup>rd</sup> quarter variance report will be more reflective of the year-end.

The following is a breakdown of the major operating variances by department:

#### **Taxation Funded:**

As at September 30th, 2022, a surplus of approximately \$1,191,455 is projected for budget centres funded from taxation, as outlined in the comments below.

#### **Office of the CAO**

The Office of the CAO includes the following budget centres: CAO's Office, Police, Clerk's Office, Licensing & Enforcement and Council & Committees. This department is projecting an overall surplus of \$114,242.

The CAO's Office is forecasting a surplus of \$7,565 as a result of estimated savings in salary gapping due to the vacancy in the position of Director of Legislative Services.

The Clerk's Office budget centre is projecting a deficit of \$3,987, mainly due to higher than anticipated insurance premiums as renewal costs exceeded the estimated budget, along with additional overtime to fulfil advisory committee obligations and AODA compliance requirements all offset by a reduction in salary costs as a result of restructuring.

The Council & Committees budget centre shows a projected surplus of \$65,245 from lower committee costs and training which is typical in an election year.

The Police Budget Centre is trending toward a \$14,578 surplus, mainly from a projected surplus in POA revenue as the office has resumed normal operations.

The Licencing & Enforcement budget centre shows a projected surplus of \$30,842 due to a forecasted increase in revenue related to the reopening of the provincial shutdown which limited lottery and marriage license revenue, and salary gap due to a position vacancy.

## **Corporate Services**

The Corporate Services Department includes the Financial Services, Non-Departmental, Information Technology and Human Resources budget centres. This department is projecting an overall surplus of \$352,782.

The main elements of the projected surplus include:

An \$85,938 surplus is anticipated in the Financial Services budget centre, primarily due to salary gap from position vacancies, memberships and training/professional development.

There is a deficit variance of \$2,427 projected for Human Resources primarily related to professional fees, retirees' benefit salary and benefits and under-expenditure in training.

A surplus of \$18,436 is projected in the Information Technology budget centre primarily due to the salary gap from position vacancies, memberships and training/professional development

In the Non-Departmental budget centre, a surplus of \$250,835 is expected as a result of an increase in property tax revenue from supplementary assessment and higher interest income projected.

## **Planning & Development**

The Planning and Development Services Department includes the Planning, Building Services and Economic Development budget centres. This department is projecting an overall surplus of \$585,316.

The Building budget centre is currently projecting no net variance. Although there is a projected operational surplus of \$487,657 in revenue, primarily due to an increase in building permit revenue from increased residential housing construction, the surplus will be transferred to the building permit reserve at year-end in accordance with the Building Code Act provisions.

The projected surplus of \$100,707 in the Planning budget centre is mainly related to staff vacancies throughout the year in the Director and Planner positions. Other variances projected are a surplus in user fees due to an increase in residential planning applications, offset by an increase in professional fees to assist in managing workload pressures created by a staff vacancy.

The Economic Development budget centre is currently projecting a deficit of \$3,049, mainly related to salary and benefit projections for this department.

## **Fire**

The Fire budget centre has a projected surplus of \$87,692 mainly related to lower than expected salary costs due to vacancies, a slight increase in fee revenues expected, and expected savings in equipment and vehicle costs.

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

The Parks, Facilities, Recreation and Culture Department includes the Libro Centre, Facilities, Parks, Recreation and Tourism & Culture budget centres. This department is projecting an overall surplus of \$188,074; however fluctuations in both revenue and expenses continued to have an impact on operations given that the pandemic emergency continued into the 2<sup>nd</sup> Quarter.

The main elements of the projected surplus include:

The Recreation budget centre is projecting a surplus of \$83,002, which is mainly based on estimated shortfalls in revenue offset by projected underspending for staffing costs, small equipment, program and event costs, marketing, advertising and travel and mileage expenses.

The Parks budget centre is not forecasting a surplus or deficit.

A projected surplus of \$128,469 in the Facilities budget centre is related to staff vacancies which also resulted in an under-expenditure of the estimated building maintenance costs, related to Town Hall, Public Works, Fire Halls and McGregor Community Ctr/Library for project delay resulting from

The Libro Centre budget centre is projected to have a \$16,008 surplus based on savings during the 1<sup>st</sup> half of 2022 mainly for utilities and staffing cost savings during reduced service levels due to the pandemic emergency.

The Tourism & Culture budget centre has a projected deficit of \$39,404 mainly related to additional staffing costs, and lower projected event revenues and are offset by a reduction in lower than anticipated advertising costs and community event costs.

### **Engineering & Public Works**

The Engineering & Public Works Department includes the Public Works and Drainage taxation funded budget centres, along with user rate funded Water and Wastewater budget centres, which are addressed separately below. This department is projecting a taxation funded deficit of \$136,652 at this time.

The projected deficit of \$141,917 in the Public Works budget centre is mainly due to the estimated impacts of increased steel prices, additional signage, and emergency repairs , offset by an increase in revenues.

A projected surplus of \$5,265 in drainage, projected variance is a result of staff vacancy.

### **User Rate Funded:**

## **Water**

There is a forecasted deficit of \$70,191 in the Water budget centre based on higher than expected meter replacements and new water meters required due to increased new services. Revenues are projected to be lower than budgeted, with Salaries and Benefits increasing and costs associated with Maintenance increasing. This budget centre is user rate funded and is closed to a related reserve, the projected variance will affect the net transfer to or from reserve at the end of the year.

## **Wastewater**

There is no forecasted surplus or deficit in the Wastewater budget centre at this time

## **Capital**

This report is as of the 3rd quarter, 2022 capital projects update is attached in Appendix A. There is no reason to believe that there will be a surplus in Capital and any cost overruns have or will be identified and brought to council.

## **Building Reserve Transfer 2021**

During the review of the 3<sup>rd</sup> quarter report, it was identified that the Building department was charged twice for the overhead component of the year expenditures. This over expenditure reduced the amount of transfer to the building reserve and increased the amount to the tax stabilization reserve by \$96,292.

## **Pike Road Drainage Project**

In July 2022, a report to council about the Pike Road Drainage Project identified that there would be a substantial portion of this drainage work on Municipal property. The amount identified specific to Municipal property was \$505,345. When the 2021 year-end was completed administration recommended utilizing \$300,000 of the surplus to reduce the burden in the future tax year. As the projected results for 2022 are indicating a surplus, administration is recommending in-year reserve transfer of \$205,345 to fully fund the municipalities cost of the drainage project, to alleviate Council approval to include in the 2023 budget.

## **4. RISK ANALYSIS:**

In considering this particular report, it is important to note that not all revenues and expenditures occur evenly throughout the year. As a result, the forecast may be significantly different than the actual to-date extrapolated for the balance of the year. Projections will be refined as the year progresses and updated variance reports are provided quarterly for Council.

**5. FINANCIAL MATTERS:**

Financial impacts are discussed throughout this report. Estimates are made based on the best information available at this time and Administration will continue to monitor financial impacts and to update projections as the year progresses and further impacts of the pandemic emergency continue to unfold. Further, where possible, Administration will seek to mitigate the projected over-expenditures and to operate within the approved budget.

**6. CONSULTATIONS:**

No consultations were made with this report due to timing constraints. The report was circulated to Senior Management.

**7. CONCLUSION:**

The projections as of September 30th, 2022 are based on estimates and may change significantly by year-end. Administration will work to mitigate negative variances during the year and estimates will be refined as the year progresses.

Administration will continue to monitor funding requirements for actual results and recommendations to fund year-end results, including potential transfers from reserves, will be brought forward with the year-end report.

At this time, it is recommended a transfer to the Municipal Drain Reserve for the Pike Drain Improvement for the remaining balance of \$205,345 for the municipal drainage cost to alleviate the 1<sup>st</sup> charge approved to the 2023 budget August 8, 2022.

In addition, it is recommended that a transfer between Tax Stabilization reserve and the Building reserve for \$96,292, to ensure compliance with legislation.



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

## Report Approval Details

Document Title:	2022 Third Quarter (Q3) Variance as at September 30 2022 final.docx
Attachments:	- Q3 2022 Capital Projects - ApdxA.pdf
Final Approval Date:	Dec 7, 2022

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



Valerie Critchley



Kevin Fox