

# Municipality of Lakeshore – Report to Council

## Finance

### Financial Planning & Analysis



**To:** Mayor & Members of Council  
**From:** Justin Rousseau, Corporate Leader – Chief Financial Officer  
**Date:** May 8, 2023  
**Subject:** 2023 Quarter 1 (March 2023) Variance Report

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### Recommendation

This report is for information only.

### Background

Annual operating budgets are set at the beginning of the calendar year based on Council direction. Professional estimates, the current environment, macroeconomic trends (such as interest rates, commodity prices, etc.) and other local information available at the time are significant inputs to the operating budget recommended to Council. Revenues and expenditures are monitored on an ongoing basis and projected through to the end of the year to ensure they remain at or as close to their approved budget as possible and that all material variances are effectively mitigated. As is typical with most forecasts, accuracy increases as the year progresses, as more information and data become available.

### Comments

The financial position of the Municipality is directly affected by uncontrollable factors such as weather conditions, fuel and utility costs, interest rates, tax appeals and the COVID pandemic. Not all expenditures occur evenly throughout the year. Projections have been prepared with the best information at the time, factoring in current known impacts of the pandemic. However, given the high degree of uncertainties surrounding any future implications and what may occur in the later part of the year, there could be a slight difference from the overall year-end.

### *Taxation Funded Variances*

The taxation-funded variance report is forecasting a surplus of approximately \$9,625 as shown in **Appendix A**.

The Taxation Funded Variance Summary in **Appendix A** provides a summary of the projected year end balances for each budget center with percentage differences from budget.

### *Office of the CAO*

The Office of the CAO includes the following budget centres: CAO's Office, Digital Transformation and Cloud Services, Council, and Committees of Council. This department is projecting an overall surplus of \$61,750.

The CAO's Office is forecasting a surplus of \$11,463 due primarily to forecast variance from budget due to salary gapping due to the timing of hiring of new staff.

Digital Transformation and Cloud Services are forecasting a surplus of \$45,287 due primarily to salary gapping due to the timing of hiring of new staff. This is offset by expected cost overruns due to the investment in internet services at the Atlas Tube Recreation Centre.

Council is forecasting to be on budget currently.

Committees of Council is forecasting a surplus of \$5,000 due to forecasted additional revenue generated more than budget by the committee of adjustments.

### *Strategic & Legal Affairs Department*

The Strategic & Legal Affairs Department includes the following budget centres: Strategic and Legal Affairs, Legal Services, Civic Affairs, Workforce Development, Fire, and Police. This department is projecting an overall surplus of \$19,894.

The Strategic and Legal Affairs Office is forecasting to be on budget currently.

Legal Services is forecasting a deficit of \$(14,038) due to forecast overspending in Legal insurance premiums of \$51,035, offset by underspending of a forecast \$32,797 in salary gapping due to the timing of new staff hiring and \$4,200 in less than anticipated professional fees.

Civic Affairs is forecasting a surplus of \$10,935 due to forecast shortfalls in revenue of \$43,000 because of delays with the gaming applications and revenue. This is offset by forecast underspending of \$53,955 in wages and benefits costs associated with delays in hiring and salary gapping.

Workforce Development is forecasting a deficit of \$(14,100) due to forecast overspending in professional consulting, staff appreciation and advertising costs of \$24,500. This is offset by underspending in training and office expenses of \$9,900.

Fire is forecasting a surplus of \$68,097 due to forecast increases in revenue of \$40,000 due to the agreement with Leamington for contract fire admin services. Also by forecast underspending in wages and benefits \$39,697 as full-time wages will experience a surplus due to staffing transition. One area of overspending is forecasted overspending in staff appreciation for the fire banquet.

Police is forecasting a deficit of \$(31,000) due to forecast decreases in revenue offset by forecast underspending in training and office expenses for Board members.

### *Growth & Sustainability Department*

The Office of Growth & Sustainability includes the following budget centres: Growth and Sustainability, Economic Development & Mobility, ATRC Facilities and Fields, Recreation, Marina, Community Planning, GIS, Building, By Law, Public Service, Animal Control, and Crossing Guards. This department is projecting an overall Surplus of \$31,109.

The Growth & Sustainability Office is forecasting on budget for 2023.

Economic Development & Mobility is forecasting a deficit of \$(5,000) due primarily to forecast overspending and wages and benefits due to acting duties to help provide leadership to community planning.

The ATRC Facilities & Fields budget centre is forecasting a deficit of \$(14,500) dollars due to forecasted over expenditures on transaction fees from activenet the booking software.

Recreation is forecasting on budget for 2023.

The Marina is forecasting a deficit of \$(5,000) dollars due to forecasted over expenditures on transaction fees from activenet the booking software.

Community Planning is forecasting a surplus of \$71,609 this is primarily due to underspending in salaries and benefits cost of \$36,609 due to vacancy in the area as well as forecast underspending in consulting services of \$35,000.

GIS is forecasting a surplus of \$15,000 due to forecast underspending in consulting services.

The Building budget centre is currently projecting no net variance and is on budget for 2023. Any activity will be transferred to the building permit reserve at year-end in accordance with the Building Code Act provisions.

By Law is currently projecting a surplus of \$10,000 due primarily to forecast under expenditures in wages and benefit-cost from budget due to vacancies in the area.

Public Service is currently projecting a deficit of \$(35,000) due primarily to forecast over expenditures in wages and benefits cost from budget. These costs will be covered by a

transfer from the reserve for Covid funding in Corporate Accounts as the service level that was set was in response to the pandemic. In 2024 to maintain this service level additional budget funds will be requested.

Animal Control is forecasting to be on budget for 2023.

Crossing Guards is forecasting to a deficit of \$(6,000) due to overspending on salaries and wages in order to provide servicing to the intersections without interruption to other business activities.

### *Operations Department*

The Operations Department includes the following budget centres: Operational Services, Roads & Fleet, Parks & Trails, Engineering and Infrastructure, Capital Projects, Drainage, Facilities (non ATRC) & Properties and Solid Waste. This department is projecting an overall deficit of \$(37,800)

The Operational Services Office is forecasting to be on budget for 2023.

Roads & Fleet is forecasting a surplus of \$37,200 due primarily to forecast underspending in wages and benefits of \$55,000 due to vacancies and transition as well as forecast additional revenue from permit applications of \$12,200. These are offset by forecast overspending of \$30,000 on salt for winter control.

Parks & Trails is forecasting to be on budget for 2023.

Engineering and Infrastructure is forecasting a deficit of \$(75,000) due primarily to over expenditures of \$100,000 on tree maintenance programs due to the ice storm branch pick up. Offset by \$25,000 of increases in revenue due to the introduction of CLI application fees.

Capital Projects is forecasting to be on budget for 2023.

Drainage is forecasting a surplus of \$20,000 due primarily to forecast underspending in wages and benefits of \$20,000 due to vacancies and transition.

Facilities (non-ATRC) is forecasting a deficit of \$(20,000) due to forecast overspending in building maintenance and winter control cost at municipality-owned properties.

Solid Waste is forecasting to be on budget for 2023.

### *Finance Department and Corporate Accounts*

The Finance Department includes the following budget centres: Finance, Accounting and Revenue, Financial Planning & Analysis and Corporate Accounts. This department is projecting an overall deficit of \$(69,531)

The Finance Office is forecasting to be on budget for 2023

Accounting and Revenue is forecasting a deficit of \$(15,000) As anticipated savings in wages and benefits of \$20,000 due to staffing vacancies and transitions. These are offset by forecast overspending in consulting services fees in the amount of \$35,000 due to needed help with the processing of year-end payroll process due to payroll system issues experienced in 2022.

Financial Planning and Analysis is forecasting a surplus of \$19,203 due primarily to underspending of \$31,000 in wages and benefits due to staffing vacancies and transitions in the year. Offsetting this is forecasted overspending of 11,797 in consulting services fees for the AODA mitigation of the budget document which is not currently in the budget for 2023.

Corporate Accounts are projecting a deficit of \$(69,531) due primarily to loss of OMPF funding over the budget of \$95,892. As well as \$8,639 higher than expected spending of the conservation authorities as the levies have increased due to changes in provincial legislation. Offsetting this is increased transfer in from the COVID Grant funding of \$35,000 to cover the over expenditure of wages in public service.

### ***Water Rate Funded Variances***

The water variance report is forecasting a deficit of approximately \$(9,981), as shown in **Appendix A**. A revenue deficit is expected of \$59,981 primary due from lower than anticipated consumption trends. A surplus of wages and benefits cost is expected in the amount of \$80,000. Offsetting this surplus are forecast over expenditures of \$30,000 in Chemicals cost.

As water services are under a self-sustaining model, any actual 2023 surplus/(deficit) will be recommended for transfer to/(from) the Water Reserve Fund as part of the year end variance report.

### ***Wastewater Rate Funded Variances***

The wastewater variance report is forecasting a surplus of approximately \$260,981, as shown in **Appendix A**. Like Water, a decrease in revenue is expected by year-end due to a decrease in consumption. A shortfall of \$139,419 in revenue is projected for 2023. Contributing to the surplus is forecast underspending wages and benefits of \$20,000 due to the timing of hiring of new staff. Also due to the anticipated timing of the completion of the Dennis St Pierre plant in late 2023. It is being forecasted that the long-term debt repayments built into the budget of 3,804,000 will not take place and nor will the recovery of 3,423,600 from development charges, these two items will create a net surplus of \$380,400

As wastewater services are under a self-sustaining model, any actual 2023 surplus/(deficit) will be recommended for transfer to/(from) the Wastewater Reserve Fund as part of the year end variance report.

### **Financial Impacts**

At the time of writing this report, with the known information available, it is projected the year will end with a financial surplus of \$9,625 from tax funded budgets. Water is expected to end the year with a deficit of \$9,981 and Wastewater a surplus of \$260,981

Administration will continue to monitor revenues and expenditures throughout the year, and a further update will be reported to Council with the second quarter Variance report.

### **Attachments**

Appendix A – Departmental Summary

### **Report Approval Details**

Document Title:	2023 Quarter 1 ( March 2023) Variance Report.docx
Attachments:	- Q1 Variance.pdf
Final Approval Date:	Jun 20, 2023

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

Prepared by Justin Rousseau

Approved by Truper McBride