

# Municipality of Lakeshore – Report to Council

## Finance

### Financial Planning & Analysis



**To:** Mayor & Members of Council

**From:** Justin Rousseau, Corporate Leader – Chief Financial Officer

**Date:** November 9, 2022

**Subject:** 2022 Quarter 3 (September 2022) 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 slight difference from the overall year end.

### *Taxation Funded Variances*

The taxation funded variance report is forecasting a surplus of approximately \$1,225,564 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 \$35,362.

The CAO's Office is forecasting a surplus of \$6,900 due primarily to forecast underspending in office and training expenses as well as forecast underspending in consulting services.

Digital Transformation and Cloud Services is forecasting a deficit of \$(46,011) due primarily to reallocation of staffing resources from GIS and forecast cost overruns in equipment repairs and maintenance. Offsetting this are forecast underspending in training and telecommunications.

Council is forecasting a surplus of \$40,498 due primarily to forecast savings in employee benefits cost as well as forecast underspending in training and council expenses.

Committees of Council is forecasting a surplus of \$33,975 due to forecast underspending in training and Committees expenses. As well a forecast 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, Animal Control, Fire, Police, and Crossing Guards. This department is projecting an overall deficit of \$269,113.

The Strategic and Legal Affairs Office is forecasting a surplus of \$2,525 due primarily to forecast underspending training and travel expenses.

Legal Services is forecasting a deficit of \$(257,500) due to forecast overspending in Legal fees of \$288,200, offset by underspending of a forecast \$31,700 in insurance claims.

Civic Affairs is forecasting a deficit of \$(10,847) due primarily to forecast short falls in revenue of \$19,625 as well as forecast overspending of \$19,500 in wages and benefits cost associated with overtime associated with the election. These are offset by forecast underspending in training and offices expenses of \$28,278.

Workforce Development is forecasting a deficit of \$(8,316) due to forecast overspending in professional consulting and third-party recruiting fees of \$20,000. This is offset by underspending in training and office expenses.

Animal Control is forecasting a surplus of \$6,800 due to forecast increases in revenue offset by forecast over expenditures in Animal Control Officer cost.

Fire is forecasting a deficit of \$(8,316) due to forecast decrease in revenue of \$8,200 this is offset by forecast underspending in wages and benefits \$12,150 as full-time wages will experience a surplus due to staffing transition offset by forecast cost overruns in VFF wages. Other areas of underspending are forecast in training and office supplies as well as small equipment. These are offset by forecast over expenditures in repairs and maintenance.

Police is forecasting a surplus of \$6,646 due to forecast decreases in revenue offset by forecast underspending in training and office expenses for Board members

Crossing Guards is forecasting to be on budget for 2022.

### *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, and Public Service. This department is projecting an overall Surplus of \$433,425.

The Growth & Sustainability Office is forecasting a surplus of \$2,400 due primarily to forecast underspending training and office expenses.

Economic Development & Mobility is forecasting a surplus of \$5,500 due primarily to forecast underspending training and office expenses.

The ATRC Facilities & Fields budget centre is forecasting a surplus of \$7,075 dollars however involves significant fluctuation in revenue and expenditure forecast from budget due to the impacts on service levels from the COVID pandemic. Revenue is forecast to be below budget figured by \$328,115, offsetting this is forecast underspending in wages and benefits of \$239,490 as well as savings in the areas of concession products, repairs and maintenance and utilities cost that total \$105,000.

Recreation is forecasting a surplus of \$82,417 again this budget centre is experiencing significant fluctuation in revenue and expenditure forecast from budget due to the impacts on service levels from the COVID pandemic. Revenue is forecast to be below budget figures by \$77,181, offsetting this is forecast underspending in wages and benefits of \$99,098 as well as savings in office expense, training and program supplies that total \$61,000.

The Marina is forecasting a surplus of \$76,804 this is primarily due to increased revenue from slip rentals and fuel sales forecast to be \$162,369 over budget. This is offset by overspending on fuel and oil cost, which is due to hyper inflation in the cost of gasoline in 2022.

Community Planning is forecasting a surplus of \$94,235 this is primarily due to underspending in salaries and benefits cost of \$38,145 due to vacancy in the area as well as underspending in training and office expenses of \$24,010 and forecast savings in consulting services of \$25,000.

GIS is forecasting a surplus of \$42,391 due to staff being reallocated to Digital Transformation & Cloud Services.

The Building budget centre is currently projecting no net variance. Although there is a projected operational surplus of \$131,700 in revenue, primarily due to an increase in building permit revenue from increased residential housing construction. As well as forecast savings in wages and benefits of \$42,000 this is offset by forecast overspending in Computer expense to support the council approved transition to cloud permit. The remaining surplus 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 \$30,994 due primarily to forecast under expenditures in wages and benefit cost from budget.

Public Service is currently projecting a surplus of \$91,660 due primarily to forecast under expenditures in wages and benefit cost from budget due to timing of implementation of the budget centre.

### *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 Surplus of \$371,154

The Operational Services Office is forecasting a surplus of \$1,500 due primarily to forecast underspending training and office expenses.

Roads & Fleet is forecasting a surplus of \$110,088 due primarily to forecast underspending in wages and benefits of \$159,000 as well as forecast underspending on Storm Sewer maintenance of \$140,000. These are offset by forecast overspending of \$228,000 on gasoline expenses due to hyper inflation experienced in 2022.

Parks & Trails is forecasting a surplus of \$161,043 due primarily to increased revenue over budget due to additional wage subsidy received to cover students. As well as forecast saving in wages and benefit cost of \$54,942 and forecast underspending of grounds maintenance and sports field maintenance.

Engineering and Infrastructure is forecasting a surplus of \$248,554 due primarily to wages and benefit cost surplus of \$106,994 due to staffing vacancies, as well as underspending for professional fees and grants and subsidies programs totalling \$95,000. Underspending is also forecast in training and office expenses of \$20,960.

Capital Projects is forecasting a surplus of \$2,000 due primarily to forecast underspending training and office expenses.

Drainage is forecasting a deficit \$(66,057) due to higher then budgeted roads portion of drainage assessments being incurred in 2022 as many projects completed final billing in early 2022.

Facilities (non ATRC) is forecasting a deficit \$(16,340) due to forecast overspending in janitorial supplies and winter control cost at town owned properties.

Solid Waste is forecasting a deficit of \$(69,633) due to forecast overspending in the garbage collection contract as Consumer Price Index in the contract and growth in Lakeshore have added greater then budgeted cost to the contract.

#### *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 Surplus of \$654,735

The Finance Office is forecasting a surplus of \$9,439 due primarily to forecast underspending training and office expenses.

Accounting and Revenue is forecasting a surplus of \$61,147 due to higher then expected revenue to be collected from user fees and interest income of \$46,260. As anticipated savings in wages and benefits of \$29,687 due to staffing vacancies and transitions. These are offset by forecast overspending in audit and actuarial services fees as well as office supplies and courier and postage cost for tax bills. In the amount of \$13,000.

Financial Planning and Analysis is forecasting a surplus of \$33,607 due primarily to underspending is wages and benefits due to staffing vacancies and transitions in the year.

Corporate Accounts are projecting a surplus of \$547,542 due primarily to increased payment in lieu of taxes revenue forecast to be \$335,000 and increased supplementary taxes over budget of \$260,000 due to increased return of new homes assessment in 2022. These are offset by less then anticipated forecast grant revenue from provincial offences of \$40,000 in 2022.

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

The water variance report is forecasting a deficit of approximately \$(89,826), as shown in **Appendix A**. A revenue deficit is expected of \$11,657 primary due from lower than anticipated consumption trends. A surplus of wages and benefits cost is expected in the amount of \$141,561 as well as savings in training and office expense are being forecast in the amount of \$53,135, Offsetting these surpluses are forecast over expenditures of \$117,500 in Chemicals and 155,000 in water meters replacement cost.

As water services are under a self-sustaining model, any actual 2022 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 \$100,534, as shown in **Appendix A**. Like Water, an decrease in revenue is expected by year end due to an decreases in consumption. A shortfall of \$69,605 in revenue is projected for 2022. Contributing to the surplus is forecast underspending in I&I of \$175,000 and underspending of consulting services of \$40,000.

As wastewater services are under a self-sustaining model, any actual 2022 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 \$1,225,564 from tax funded budgets. Water is expected to end the year with a deficit of \$(89,826) and Wastewater a surplus of \$100,534

Administration will continue to monitor revenues and expenditures throughout the year, and a further update will be reported to Council with the Year End Variance reports

### **Attachments**

Appendix A – Departmental Summary

### **Report Approval Details**

Document Title:	2022 Quarter 3 ( September 2022) Variance Report.docx
Attachments:	- Q3 Forecast .pdf
Final Approval Date:	Nov 24, 2022

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

Prepared by Justin Rousseau

Approved by Truper McBride