

Municipality Of Chatham-Kent
Finance, Budget and Information Technology Services
Budget & Performance Services

To: Mayor and Members of Council
From: Gord Quinton, MBA, CPA, CGA
Director, Budget & Performance Services
Date: July 29, 2019
Subject: June 2019 Budget Variance Forecast

Recommendation:

It is recommended that:

1. Administration continue to monitor operations and report back to Council with an October variance report prior to the 2020 budget deliberations.

Background:

The purpose of budget variance reports is to project the year-end financial position of Chatham-Kent on a department by department basis. Each department reviews and forecasts its budget on a line by line basis.

Comments:

Administration monitors the operating budget on an ongoing basis and, as with any forecast, the variance projections will become more accurate as the year unfolds. Significant use of estimates, historical knowledge and judgment is used in projecting budget versus actual variances to year-end. Material fluctuations in the projections can occur if unforeseen activity is experienced in the local economy, e.g. social assistance caseloads, fuel and energy prices, seasonal issues for grass cutting and winter control, etc.

The following two sections provide explanations of the variance:

- A) Departmental
- B) Divisional variances > 2% overrun

June 2019 Budget Variance Forecast

A) Departmental:

Departments have prepared forecasts as at June 30th to the end of the year. Future variance forecasts are scheduled for October 31 which will be updated during budget deliberations in January 2020.

The June 2019 budget variance is forecasting a net shortfall of \$0.9M representing 0.28% of the gross operating budget and is detailed in Appendix A. The issues have been identified in the following table:

| Department Summary of Projected Budget Variance | | |
|--|---|--|
| <u>Department</u> | <u>June '19 Surplus (Deficit)</u> | <u>Comments</u> |
| Non Departmental | \$480,202 | Provincial OMPF cut and Bloomfield Business Park interest cost offset by Interest Income surpluses |
| Chief Administrative Office | -\$4,048 | Various minor issues |
| Mayor, Council & Admin Support | -\$13,536 | Various minor issues |
| Community Development | -\$549,673 | Provincial Ambulance cut , Fire OT and protective clothing offset by staff related surpluses in Legal and Economic Development |
| Community Human Services | -\$11,493 | Various minor issues |
| Corporate Services | -\$136,852 | Retiree Benefits |
| Finance, Budget & Information Technology Servi | \$52,835 | John D. Bradley Centre deficit offset by Staff related and various minor surpluses |
| Infrastructure & Engineering Services | -\$824,418 | Public Works deficit in Winter Control, Sidewalk salting |
| Police Services | \$90,520 | Staff related |
| Projected Deficit | -\$916,463 | |
| Considerations (subject to final variance): | | |
| One-time transfers: | | |
| - Unfunded Capital - Bloomfield Business Park | \$0 | |
| - Reserve for Winter Control | -\$961,723 | |
| - Reserve for Police Services | \$45,260 | |
| | -\$916,463 | |

June 2019 Budget Variance Forecast

B) Divisional:

The following explanations have been provided by the divisions regarding budget overruns >2% along with mitigating steps that have/or will be put in place:

Non-Operating has an overall surplus of \$480,000. The following divisional activities exceed a budget overrun of 2%:

| | | |
|---------------------------------|----------------|--------------|
| Provincial Downloading Services | | Gord Quinton |
| Net Final Budget | (\$19,318,202) | |
| Projected Deficit | (\$426,286) | |
| Calculated % | (2.21%) | |

The projected deficit is due to Provincial Budget Cuts.

Community Development Services has an overall deficit of \$550,000. The following divisional activities exceed a budget overrun of 2%:

| | | |
|-----------------------------|------------|-------------|
| Community Development Admin | | John Norton |
| Net Final Budget | \$234,452 | |
| Projected Deficit | (\$31,585) | |
| Calculated % | (13.47%) | |

The projected deficit is due to the temporary Business Development Analyst working on reducing red tape funded by the overall variance.

| | | |
|-----------------------------|--------------|--------------|
| Fire and Emergency Services | | Bob Crawford |
| Net Final Budget | \$22,482,064 | |
| Projected Deficit | (\$861,686) | |
| Calculated % | (3.83%) | |

The projected deficit is due to Land Ambulance Provincial Budget Cuts and increased overtime and protective clothing cost for large group of Fire new hires.

Corporate Services has an overall deficit of \$137,000. The following divisional activities exceed a budget overrun of 2%:

| | | |
|--|-------------|---------------|
| Human Resources and Organizational Development | | Cathy Hoffman |
| Net Final Budget | \$3,212,568 | |
| Projected Deficit | (\$129,166) | |
| Calculated % | (4.02%) | |

The projected deficit is due to a temporary increase in retiree benefits due to many new retirees.

Finance, Budget & Information Technology Services has an overall surplus of \$53,000. The following divisional activities exceed a budget overrun of 2%:

| | | |
|-----------------------------------|-------------|--------------|
| John D. Bradley Convention Centre | | Gord Quinton |
| Net Final Budget | \$1,001,286 | |

June 2019 Budget Variance Forecast

| | |
|-------------------|------------|
| Projected Deficit | (\$30,000) |
| Calculated % | (3.00%) |

The projected deficit is consistent with prior year deficits for operations at the convention centre.

Infrastructure and Engineering Services has an overall deficit of \$824,000. The following divisional activities exceed a budget overrun of 2%:

Public Works Ryan Brown

| | |
|-------------------|---------------|
| Net Final Budget | \$44,319,576) |
| Projected Deficit | (\$1,055,414) |
| Calculated % | (2.38%) |

The projected deficit is mainly due to insufficient salt budget due to previous Council decisions and Sidewalk Salting shortfall to be addressed by a future report to Council.

Areas of Strategic Focus and Critical Success Factors:

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

June 2019 Budget Variance Forecast

Consultation:

Each department compiled and provided comments on their June 2019 variance report and developed options, if necessary, to manage to their bottom line.

Financial Implications:

Dependent on actual variance results at the end of 2019, administration will recommend that any deficits be funded from reserves and any surplus be transferred to unfunded capital issues or reserves to handle future issues.

Prepared by:

Reviewed by:

Gord Quinton, MBA, CPA, CGA
Director, Budget & Performance Services

Mike Turner, CPA, CMA
Chief Financial Officer, Treasurer

Attachment: Appendix A – June 2019 Variance by Division

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MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary
 Selected year **2019**

Appendix A

100 CK Municipal Operations

| | 2019 | 2019 | Calculated | Calculated | RTC | 2019 |
|--|---------------------|---------------------|-------------------|-------------------|------------|---|
| | Approved | Forecast | Surplus (Deficit) | Surplus (Deficit) | Exceptions | Variance Forecast |
| | Final Budget | as of June | Variance | % | >-2% | Comment |
| 00100 CHATHAM-KENT OPERATING | | | | | | |
| Non Non Departmental | | | | | | |
| Grants and Requisitions | 3,139,109 | 3,124,922 | 14,187 | -0.45% | | |
| General Revenues | -163,361,352 | -164,309,905 | 948,553 | 0.58% | | |
| Financial Expenses | 1,015,164 | 1,015,164 | 0 | 0.00% | | |
| Capital - Admin | 7,736,288 | 7,792,540 | -56,252 | 0.73% | | |
| Provincial Downloading Services | -19,318,202 | -18,891,916 | -426,286 | -2.21% | COMMENT | \$426,000 OMPF Prov Cut |
| General Administration | -1,356,961 | -1,356,961 | 0 | 0.00% | | |
| Total Non Non Departmental | -172,145,954 | -172,626,156 | 480,202 | | | |
| CAO CAO | | | | | | |
| Chief Administrative Officer | 840,073 | 844,121 | -4,048 | -0.48% | | |
| Total CAO CAO | 840,073 | 844,121 | -4,048 | | | |
| MAY Mayor,Council and Admin Support | | | | | | |
| Office of the Mayor/ Council | 325,134 | 330,134 | -5,000 | -1.54% | | |
| Council, Council Support | 827,462 | 835,998 | -8,536 | -1.03% | | |
| Total MAY Mayor,Council and Admin Support | 1,152,596 | 1,166,132 | -13,536 | | | |
| CD Community Development | | | | | | |
| Community Development - Admin | 234,452 | 266,037 | -31,585 | -13.47% | COMMENT | Business Development Analyst |
| Legal Services | 1,208,740 | 1,104,884 | 103,856 | 8.59% | | |
| Building Development Services | 194,207 | 172,760 | 21,447 | 11.04% | | |
| Planning Services | 680,513 | 581,470 | 99,043 | 14.55% | | |
| Economic Development Services | 1,246,157 | 1,126,905 | 119,252 | 9.57% | | |
| Fire and Emergency Services | 22,482,064 | 23,343,750 | -861,686 | -3.83% | COMMENT | \$486,000 Prov Amb Cuts, \$372,000 Fire OT, Uniforms, Protective clothing |
| Total CD Community Development | 26,046,133 | 26,595,806 | -549,673 | | | |
| CHS Community Human Services | | | | | | |
| Community Human Services - Admin | 161,800 | 161,800 | 0 | 0.00% | | |
| Child Care & Early Years | 1,514,060 | 1,514,060 | 0 | 0.00% | | |
| Public Health | 1,978,664 | 1,978,665 | -1 | 0.00% | | |
| Employment and Social Services | 5,062,641 | 5,062,642 | -1 | 0.00% | | |
| Seniors Services | 5,750,337 | 5,750,340 | -3 | 0.00% | | |
| Housing Services | 8,544,396 | 8,544,393 | 3 | 0.00% | | |
| Community Attraction and Leisure Services | 4,287,961 | 4,299,452 | -11,491 | -0.27% | | |
| CK Public Library | 4,119,099 | 4,119,099 | 0 | 0.00% | | |
| Total CHS Community Human Services | 31,418,958 | 31,430,451 | -11,493 | | | |
| CS Corporate Services | | | | | | |
| Human Resources and Org Development | 3,212,568 | 3,341,734 | -129,166 | -4.02% | COMMENT | \$155,000 Retiree Benefits |
| Customer Services | 1,589,026 | 1,585,589 | 3,437 | 0.22% | | |
| Municipal Governance | 613,398 | 624,521 | -11,123 | -1.81% | | |
| Total CS Corporate Services | 5,414,992 | 5,551,844 | -136,852 | | | |
| FBIS Finance, Budget, InformationTech Services | | | | | | |
| FBIS - Admin | 352,844 | 351,986 | 858 | 0.24% | | |
| Budget , Performance Services | 656,140 | 619,820 | 36,320 | 5.54% | | |

MUNICIPALITY OF CHATHAM-KENT

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Appendix A

100 CK Municipal Operations

| | 2019 | 2019 | Calculated | Calculated | RTC | 2019 |
|---|-------------------|-------------------|-------------------|-------------------|------------|--|
| | Approved | Forecast | Surplus (Deficit) | Surplus (Deficit) | Exceptions | Variance Forecast |
| | Final Budget | as of June | Variance | % | >-2% | Comment |
| Financial Services | 1,747,221 | 1,702,679 | 44,542 | 2.55% | | |
| Information Technology Services | 7,434,445 | 7,433,330 | 1,115 | 0.01% | | |
| John D Bradley Convention Centre | 1,001,286 | 1,031,286 | -30,000 | -3.00% | COMMENT | \$30,000 J.D. Bradley shortfall |
| Total FBIS Finance, Budget, InformationTech Services | 11,191,936 | 11,139,101 | 52,835 | | | |
| IES Infrastructure and Engineering Services | | | | | | |
| Infrastructure, Engineering Services - Admin | 280,240 | 285,716 | -5,476 | -1.95% | | |
| Drainage, Asset, Waste Management | 9,034,939 | 9,159,337 | -124,398 | -1.38% | | |
| Engineering, Transportation Services | 3,664,165 | 3,445,292 | 218,873 | 5.97% | | |
| Public Works | 44,319,576 | 45,374,990 | -1,055,414 | -2.38% | COMMENT | \$700,000 Winter Control Roads, \$285,000 Winter Control Sidewalks |
| Rec Facilities & Parks and Open Spaces | 7,700,184 | 7,558,187 | 141,997 | 1.84% | | |
| Total IES Infrastructure and Engineering Services | 64,999,104 | 65,823,522 | -824,418 | | | |
| POL Police Services | 31,082,165 | 30,991,645 | 90,520 | 0.29% | | |
| Total 00100 CHATHAM-KENT OPERATING | 3 | 916,466 | -916,463 | | | |
| Total 100 CK Municipal Operations | 3 | 916,466 | -916,463 | -0.28% | | |