

**Municipality of Chatham-Kent**

**Finance, Budget and Information Technology Services**

**Budget & Performance Services**

**To:** Mayor and Members of Council  
**From:** Steven Brown, CPA, CMA  
Director, Budget & Performance Services  
**Date:** June 25, 2020  
**Subject:** 2019 Final Operations Variance

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**Recommendations**

It is recommended that:

- 1) The final audited financial statements provide for the following existing reserve transfers in 2019 requiring approval for audit purposes:

Mandated Reserves:

Building – Bill 124 requirements \$ 708,558

Assigned Discretionary Reserves:

Insurance Risk \$ (163,711)

Health Services \$ 31,881

Senior Services \$ 189,090

Housing Services \$1,253,192

Children's Services \$ (7,407)

Employment Services Economic Downturn \$ 677,546

Winter Control \$ (622,724)

Waste Diversion \$ 270,413

Information Technology Services \$ 370,245

Recreation Community Programs \$ 1,439

Recreation Special Populations \$ 4,771

Property Disposition \$ 49,886

Closed Employment and Labour Relations \$3,524,032

Chatham Conventional Transit \$ 17,291

Community Improvement Plan \$ (54,407)

Workers Compensation Municipal \$ 259,742

- 2) The final 2019 operating surplus of \$3.76M be allocated as follows:

Reserve for Capital - Disaster Mitigation Grant \$ 500,000

Reserve for Roadside Drainage Assessments \$2,260,000

Reserves for Police Services issues \$ 13,166

Bloomfield Business Park Unfunded Capital Project \$ 500,000

Reserve for Strategic Development \$ 485,061

Total \$3,758,227

## **Background**

The final variance report is normally completed along with the audited financial statements. The audited financial statements will be presented to Council in a separate report.

The overall management of the 2019 budget has resulted in a favourable one-time operating surplus of \$3.76M or 1.1% of the gross budget.

This report reflects the existing Council policy to transfer to reserves the operating surpluses/deficits in the Community Human Services, Ambulance, Insurance, Energy, Waste Diversion, Building Services Bill 124 areas, and other miscellaneous items.. These transfers have been included in the recommendations as part of the audit requirements for reserve approvals.

## **Comments**

The final 2019 surplus of \$3.76M is recommended to be allocated to reserves through reports to Council prior to any usage of those reserves.

### Reserve for Capital

#### – Disaster Mitigation and Adaptation Grant – matching funds \$500,000:

At the March 25, 2019 Council meeting, Council was notified that the Municipality had applied for a grant from the Federal Government which was afterwards approved. The grant is for works totaling \$41.4M over the next ten years, of which Chatham-Kent will be funding 60% or \$24.9M. It is recommended that \$500,000 of the 2019 surplus be put aside in the Capital Reserve for future use.

#### Reserve for Roadside Drainage Assessments \$2,260,000:

In the 2020 Budget deliberations, Council approved using \$2,260,000 of the projected 2019 surplus to fund one time additional Roadside Drainage Assessments. It is recommended that \$2,260,000 of the 2019 surplus be transferred to the Reserve for Roadside Drainage Assessments to provide the funding needed as approved in the 2020 budget.

#### Reserve for Policing issues \$13,166:

The final surplus for Police Services of \$26,332 was mainly the result of staff vacancies. As per past practice, 50% of this surplus is allocated to the Police Services Board municipal reserves. The Police Services Board has identified potential business plan investments that will require one time funding in the coming years, and accordingly have requested these funds be set aside in the Police Mandatory Issues Reserve.

#### Bloomfield Business Park Unfunded Capital \$500,000:

The Bloomfield Business Park was constructed in 2005 at a cost of approximately \$15M. Council approved a funding plan consisting of land sale, incremental taxes, and anticipated further growth of the park contributing to the initial costs. Including

the anticipated sale proceeds of the lands, there remains a \$7.76M unfunded capital account (an unfunded capital account is one where all the expenses were paid for from the municipal cash balances but Council has not allocated funding). In 2016, Council set a policy that up to \$500,000 of any annual surpluses not committed to other projects be allocated to the unfunded portion until such time that it is paid in full. It is recommended that \$500,000 of the 2019 surplus be allocated to this unfunded capital account.

Reserve for Strategic Development \$485,061:

The remaining surplus funds are recommended to be placed in the Strategic Development reserve for the future needs of Council.

The recommendations in this report also include the approval of 2019 posted reserve provisions for the following items:

Mandated Provincial Bill 124 Reserve for Building Permits \$708,558:

Bill 124 mandates that building activities are accounted for separately from municipal activities. Surpluses are reserved with the expectation that, in the event of declining building permit revenue, a draw from the reserve may be required to meet budget. This mechanism provides stability to the pricing of building permits. For 2019, building permit activity exceeded budget and the final year end surplus of \$708,558 was transferred to the Bill 124 reserve.

Insurance Risk Reserve (\$163,711):

The deficit in the Risk Management area, which included claim recoveries, insurance budget and the outside counsel budget, is being recommended to be transferred from the Insurance Risk Reserve. This practice will be reviewed annually with the insurer's recommended balance of the insurance risk reserve.

Specific Operational Surpluses:

The operating surpluses in the following areas were transferred to reserves to address current and future operating pressures (e.g. economic downturns), Provincial service requirements, building issues, rapid technology changes, etc. These areas can be vulnerable to economic and Provincial policy changes.

• Health Services	\$ 31,881
• Senior Services	\$ 189,090
• Housing Services	\$1,253,192
• Children's Services	\$ (7,407)
• Employment Services Economic Downturn	\$ 677,546
• Winter Control	\$ (622,724)
• Waste Diversion	\$ 270,413
• Information Technology Services	\$ 370,245
• Recreation Community Programs	\$ 1,439
• Recreation Special Populations	\$ 4,771
• Property Disposition	\$ 49,886

• Closed Employment and Labour Relations	\$3,524,032
• Chatham Conventional Transit	\$ 17,291
• Community Improvement Plan	\$ (54,407)
• Workers Compensation Municipal	\$ 259,742

In addition, a \$56,252 accounting adjustment for 2019 interest charges on the Bloomfield Business Park was booked against the 2019 surplus rather than be re-capitalized and funded from future sales. Council approved this practice in 2008 and it is reported on an annual basis.

The final 2019 variance resulted in an operating surplus of \$3.76M, or 1.1% of gross budget, and is detailed below. Appendix A includes a breakdown of the variance by Divisions.

<b><u>Department</u></b>	<b><u>FINAL 2019 Surplus (Deficit)</u></b>	<b><u>Comments</u></b>
Non Departmental	3,933,111	Ontario Municipal Partnership Fund reduction and Bloomfield Business Park Interest deficits offset by Gateway Casino assessment, and Investment income surpluses
Chief Administrative Office	(386,820)	Fire and Emergency Services staffing related deficit partially offset by CAO Strategic Plan surplus from prior year encumbrance
Mayor, Council & Admin Support	14,500	Conference and car allowance surpluses
Community Development	708,312	Planning Services and Legal Services staffing and conference surpluses and Provincial Offences Court surpluses
Community Human Services	(146,576)	Arts and Culture Cultural Theatre Rental and Library deficit

Corporate Services	(21,369)	Dresden's Ontario Service Centre increased revenue, and HR staffing surpluses offset by HR Special Projects
Finance, Budget & Information Technology Services	224,637	Convention Centre deficit offset by Financial Services staffing related and tax collection surpluses, and Budget Services staffing surplus
Infrastructure & Engineering Services	(593,900)	Public Works Public Utilities Service Level Agreement, and operational deficits partially offset by fleet fuel and repairs and traffic line painting surpluses
Police Services	<u>26,332</u>	Staffing related surpluses
<b>Surplus</b>	<b>\$ <u>3,758,227</u></b>	

### **Areas of Strategic Focus and Critical Success Factors**

The recommendations in this report support 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 recommendations in this report support 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)

**Consultation**

Each department has reviewed their 2019 final accounts.

Financial Services provided the final surplus reconciliation and the final reserve allocations for 2019. The audited financial statements will be presented to Council under a separate report.

**Financial Implications**

As detailed in this report, the surplus allocations will offset taxation requests in the 2021 Budget.

Prepared by:

Reviewed by:

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Steven Brown, CPA, CMA  
Director, Budget & Performance Services

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Gord Quinton, MBA, CPA, CGA  
Chief Financial Officer, Treasurer

Attachment(s): Appendix A – 2019 Final Variance by Division

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# MUNICIPALITY OF CHATHAM-KENT

Appendix A

## Variance Report by Business Unit

Year 2019

### 100 CK Municipal Operations

	2019	2019
	Approved	Final
	Final Budget	Variance
00100 CHATHAM-KENT OPERATING		
Non Non Departmental		
Grants and Requisitions	3,139,109	297,760
General Revenues	-163,367,377	-3,659,209
Financial Expenses	640,500	-1,034,644
Capital - Admin	7,736,288	56,181
Payroll Benefit Clearing		-2
PSAB		0
Provincial Downloading Services	-19,318,202	426,288
General Administration	-1,391,961	-19,485
<b>Total Non Non Departmental</b>	<b>-172,561,643</b>	<b>-3,933,111</b>
CAO CAO		
Chief Administrative Officer	840,073	-11,145
Fire and Emergency Services	22,522,864	397,965
<b>Total CAO CAO</b>	<b>23,362,937</b>	<b>386,820</b>
MAY Mayor,Council and Admin Support		
Office of the Mayor/ Council	325,134	-9,117
Council, Council Support	828,093	-5,383
<b>Total MAY Mayor,Council and Admin Support</b>	<b>1,153,227</b>	<b>-14,500</b>
CD Community Development		
Community Development - Admin	234,452	46,510
Legal Services	1,194,532	-444,670
Building Development Services	194,207	-25,583
Planning Services	680,573	-253,397
Economic Development Services	1,246,157	-31,172
<b>Total CD Community Development</b>	<b>3,549,921</b>	<b>-708,312</b>
CHS Community Human Services		
Community Human Services - Admin	161,800	-782
Child Care & Early Years	1,502,477	2
Public Health	1,978,669	2
Employment and Social Services	5,365,001	3
Seniors Services	5,903,797	4
Housing Services	7,112,778	9
Community Attraction and Leisure Services	4,292,418	71,351
CK Public Library	4,049,204	75,987
<b>Total CHS Community Human Services</b>	<b>30,366,144</b>	<b>146,576</b>
CS Corporate Services		
Human Resources and Org Development	3,418,669	110,355
Customer Services	1,558,679	-95,017
Municipal Governance	613,398	6,031
<b>Total CS Corporate Services</b>	<b>5,590,746</b>	<b>21,369</b>
FBIS Finance, Budget, InformationTech Services		

	2019	2019
	Approved	Final
	Final Budget	Variance
FBIS - Admin	352,844	13,652
Budget , Performance Services	656,139	-76,946
Financial Services	1,793,110	-213,582
Information Technology Services	7,434,831	-15,162
John D Bradley Convention Centre	1,001,286	67,401
<b>Total FBIS Finance, Budget, InformationTech Services</b>	<b>11,238,210</b>	<b>-224,637</b>
IES Infrastructure and Engineering Services		
Infrastructure, Engineering Services - Admin	280,241	20,355
Drainage, Asset, Waste Management	10,308,892	-559,485
Engineering, Transportation Services	3,643,388	-318,449
Public Works	44,275,270	1,325,948
Rec Facilities & Parks and Open Spaces	7,710,500	125,531
<b>Total IES Infrastructure and Engineering Services</b>	<b>66,218,291</b>	<b>593,900</b>
POL Police Services		
Administrative Support	7,974,445	894,472
Community Patrol	16,341,497	-733,291
Office of the Chief	1,009,609	25,645
Operational Support	5,463,156	-162,271
Police Services Board	293,460	-50,887
<b>Total POL Police Services</b>	<b>31,082,167</b>	<b>-26,332</b>
<b>Total 00100 CHATHAM-KENT OPERATING</b>	<b>0</b>	<b>-3,758,227</b>
<b>Total 100 CK Municipal Operations</b>	<b>0</b>	<b>-3,758,227</b>