

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: December 8, 2017
Subject: October 2017 Budget Variance Forecast

Recommendation:

It is recommended that:

1. Administration continue to monitor operations and report back to Council with the Final 2017 variance report after the completion of the year-end audit.

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.

The June variance report to Council projected a \$56,000 surplus. A final variance report will be presented to Council once the books are closed for 2017 and the verified surplus is known.

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 vs. 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

October 2017 Budget Variance Forecast

A) Departmental:

Departments have prepared forecasts as at June to the end of the year. The October variance report provides the latest forecast for Council's information heading into the 2018 budget deliberations.

The October 2017 budget variance is forecasting a net surplus of \$0.71M representing 0.23% 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>October '17 Surplus (Deficit)</u>	<u>Comments</u>
Non Departmental	\$191,162	Interest Income and Grant In Lieu surpluses offset by tax writeoffs and Bloomfield Business Park writeoff and interest
Legislative Services	-\$14,436	Municipal Governance and Planning surpuses offset by POC deficit from 401 construction
Chief Administrative Office	\$241,640	Staff related and other surpluses in HROD and Economic Development
Mayor, Council & Admin Support	-\$5,070	Corporate Memberships
Community Development	\$37,216	Various minor surpluses
Finance, Budget & Information Technology Servi	\$120,562	Staff related and various minor surpluses in Financial Services
Health & Family Services	\$0	Minor surpluses transfered to HFS reserves
Infrastructure & Engineering Services	-\$108,522	Waste Management and Fleet fuel and repairs surpluses offset by Public Works deficit
Police Services	\$247,790	Staff related
Projected Surplus	\$710,342	
<u>Considerations (subject to final variance):</u>		
One-time transfers:		
- Reserve for Strategic Development	\$86,447	
- Unfunded Capital - Bloomfield Business Park	\$500,000	As per approved policy
- Reserve for Police Services	\$123,895	As per approved policy
	<u>\$710,342</u>	

October 2017 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-Departmental has an overall surplus of \$191,162. The following divisional activities exceed a budget overrun of 2%:

Financial Expenses		Steven Brown
Net Final Budget	\$732,186	
Projected Deficit	(\$889,858)	
Calculated %	(121%)	

The projected deficit is mainly due to an increase in tax write-offs \$737,000 and the Bloomfield Industrial Park write-off \$163,000. Both these items have been previously approved by Council.

Legislative Services overall deficit of \$14,436. The following divisional activities exceed a budget overrun of 2%:

Provincial Offenses Court		Christine Jackson
Net Final Budget	\$(606,380)	
Projected Deficit	(\$106,884)	
Calculated %	(17.6%)	

The projected deficit is mainly due to a loss of ticket revenue on the 401 due to construction. This is a temporary issue.

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

October 2017 Budget Variance Forecast

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)

Consultation:

Each department compiled and provided comments on their October 2017 variance report and developed options, if necessary, to manage to their bottom line.

Financial Implications:

Dependent on actual variance results at the end of 2017, administration will recommend that 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 – October 2017 Variance by Division

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Variance Report 2017						Appendix A
100 CK Municipal Operations						
	2017	2017	Calculated	Calculated	RTC	2017
	Approved	Forecast	Surplus (Deficit)	Surplus (Deficit)	Exceptions	Variance Forecast
	Final Budget	as of Oct	Variance	%	>-2%	Comment
00100 CHATHAM-KENT OPERATING						
Non Non Departmental						
Grants and Requisitions	2,632,290	2,627,773	4,517	0.17%		
General Revenues	-153,546,684	-154,704,757	1,158,073	-0.75%		
Financial Expenses	732,186	1,622,044	-889,858	-121.53%	COMMENT	Bloomfield Sale writeoff (\$163), Tax Write Off (\$737)
Capital - Admin	7,392,310	7,470,049	-77,739	-1.05%		
Payroll Benefit Clearing		0	0	0.00%		
PSAB		0	0	0.00%		
Provincial Downloading Services	-18,437,547	-18,433,716	-3,831	0.02%		
General Administration	-1,084,435	-1,084,435	0	0.00%		
Total Non Non Departmental	-162,311,880	-162,503,042	191,162			
LEG Legislative Services						
Legislative Services - Admin	273,759	263,254	10,505	3.84%		
Legal Services	866,582	983,978	-117,396	-13.55%	COMMENT	Reduction in POC revenues due to 401 construction
Municipal Governance	1,059,137	1,029,920	29,217	2.76%		
Building Development Services	178,612	167,274	11,338	6.35%		
Planning Services	529,356	477,456	51,900	9.80%		
Total LEG Legislative Services	2,907,446	2,921,882	-14,436			
CAO CAO						
Chief Administrative Officer	774,240	746,401	27,839	3.60%		
Economic Development Services	1,102,264	1,000,515	101,749	9.23%		
HROD and Customer Services	4,269,101	4,157,049	112,052	2.62%		
Total CAO CAO	6,145,605	5,903,965	241,640			
MAY Mayor,Council and Admin Support						
Office of the Mayor/ Council	256,198	261,268	-5,070	-1.98%		
Total MAY Mayor,Council and Admin Support	256,198	261,268	-5,070			
CD Community Development						
Community Development - Admin	1,228,002	1,225,369	2,633	0.21%		
Community Attraction and Leisure Services	10,944,779	10,925,616	19,163	0.18%		
Fire and Emergency Services	20,774,616	20,736,191	38,425	0.18%		
Library Services	3,912,202	3,935,207	-23,005	-0.59%		
Total CD Community Development	36,859,599	36,822,383	37,216			
FBIS Finance, Budget, InformationTech Services						
FBIS - Admin	319,474	307,650	11,824	3.70%		
Budget , Performance Services	550,583	561,561	-10,978	-1.99%		
Financial Services	1,522,483	1,402,989	119,494	7.85%		
Information Technology Services	6,340,072	6,339,850	222	0.00%		
Total FBIS Finance, Budget, InformationTech Services	8,732,612	8,612,050	120,562	0	0	
HFS Health and Family Services						
Health and Family Services - Admin	99,594	99,594	0	0.00%		
Children Services	1,450,800	1,450,802	0	0.00%		
Public Health	1,940,906	1,940,906	0	0.00%		
Employment and Social Services	6,074,235	6,074,235	0	0.00%		
Seniors Services	5,677,441	5,677,441	0	0.00%		
Housing Services	7,705,975	7,705,975	0	0.00%		
Total HFS Health and Family Services	22,948,951	22,948,953	0	0	0	
IES Infrastructure and Engineering Services						
Infrastructure, Engineering Services - Admin	235,715	235,715	0	0.00%		
Drainage, Asset, Waste Management	8,214,987	7,572,419	642,568	7.82%		
Engineering, Transportation Services	3,434,044	3,470,183	-36,139	-1.05%		
Public Works	41,991,383	42,706,334	-714,951	-1.70%		
Total IES Infrastructure and Engineering Services	53,876,129	53,984,651	-108,522	0	0	
POL Police Services	30,585,340	30,337,550	247,790	-0		
Total 00100 CHATHAM-KENT OPERATING	0	-710,340	710,342	0	0	
Total 100 CK Municipal Operations	0	-710,340	710,342	0.23%	0	