

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: August 17, 2018
Subject: June 2018 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 2019 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 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 cost for the flood in February 2018 was tracked in detail. The total expenses of approximately \$115,000 have been absorbed in the Divisional variances.

The following two sections provide explanations of the variance:

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

June 2018 Budget Variance Forecast

A) Departmental:

Departments have prepared forecasts as at June to the end of the year. Future variance forecasts are scheduled for October 31 which will be updated during budget deliberations in January, 2019.

The June 2018 budget variance is forecasting a net surplus of \$0.2M representing 0.05% 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 '18 Surplus (Deficit)</u>	<u>Comments</u>
Non Departmental	\$1,117,204	Bloomfield Business Park interest cost offset by Interest Income surpluses
Chief Administrative Office	\$42,824	Staff related
Mayor, Council & Admin Support	\$8,588	Various minor issues
Community Development	-\$7,460	Various minor issues
Community Human Services	-\$96,610	Various minor issues
Corporate Services	\$34,090	Various minor issues
Finance, Budget & Information Technology Services	\$125,014	Staff related and various minor surpluses
Infrastructure & Engineering Services	-\$1,728,416	Public Works deficit in Winter Control, Gravel Pit and Grading deficits
Police Services	\$670,651	Staff related and additional Provincial Subsidies
Projected Surplus	\$165,885	
<u>Considerations (subject to final variance):</u>		
One-time transfers:		
- Unfunded Capital - Bloomfield Business Park		
- Reserve for Police Services	\$335,326	
	<u>\$335,326</u>	

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:

June 2018 Budget Variance Forecast

Infrastructure and Engineering Services has an overall deficit surplus of \$1.7M. The following divisional activities exceed a budget overrun of 2%:

Public Works		Pat Bruette
Net Final Budget	\$44,545,438)	
Projected Deficit	(\$1,781,576)	
Calculated %	(4.17%)	

The projected deficit is mainly due to insufficient salt budget due to previous Council decisions and Gravel Pit closure expenses and Grading deficits.

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)

Consultation:

Each department compiled and provided comments on their June 2018 variance report and developed options, if necessary, to manage to their bottom line.

June 2018 Budget Variance Forecast

Financial Implications:

Dependent on actual variance results at the end of 2018, 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 – June 2018 Variance by Division

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MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary
 Selected year **2018**

Appendix A

100 CK Municipal Operations

	2018	2017	Calculated	Calculated	RTC	
	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	2,692,667	2,682,399	10,268	0.38%		
General Revenues	-157,498,054	-158,674,654	1,176,600	-0.75%		
Financial Expenses	2,545,956	2,546,329	-373	-0.01%		
Capital - Admin	7,609,288	7,674,288	-65,000	-0.85%		
Payroll Benefit Clearing		0	0	0.00%		
PSAB		0	0	0.00%		
Provincial Downloading Services	-19,349,755	-19,345,464	-4,291	0.02%		
General Administration	-1,299,333	-1,299,333	0	0.00%		
Total Non Non Departmental	-165,299,231	-166,416,435	1,117,204			
CAO CAO						
Chief Administrative Officer	772,778	779,681	-6,903	-0.89%		
Economic Development Services	1,103,900	1,054,173	49,727	4.50%		
Total CAO CAO	1,876,678	1,833,854	42,824			
MAY Mayor,Council and Admin Support						
Office of the Mayor/ Council	272,464	277,090	-4,626	-1.70%		
Council, Council Support	690,057	676,843	13,214	1.91%		
Total MAY Mayor,Council and Admin Support	962,521	953,933	8,588			
CD Community Development						
Community Development - Admin	239,225	239,321	-96	-0.04%		
Legal Services	954,368	973,069	-18,701	-1.96%		
Municipal Governance	413,530	421,770	-8,240	-1.99%		
Building Development Services	184,961	188,602	-3,641	-1.97%		
Planning Services	537,213	521,721	15,492	2.88%		
Fire and Emergency Services	21,135,629	21,127,903	7,726	0.04%		
Total CD Community Development	23,464,926	23,472,386	-7,460			
CHS Community Human Services						
Community Human Services - Admin	125,895	125,895	0	0.00%		
Child Care & Early Years	1,481,736	1,481,736	0	0.00%		
Public Health	1,944,240	1,944,239	1	0.00%		
Employment and Social Services	5,120,976	5,120,977	-1	0.00%		
Seniors Services	5,898,867	5,940,586	-41,719	-0.71%		
Housing Services	8,120,719	8,120,718	1	0.00%		
Community Attraction and Leisure Services	5,069,677	5,098,464	-28,787	-0.57%		
CK Public Library	4,035,592	4,061,697	-26,105	-0.65%		
Total CHS Community Human Services	31,797,702	31,894,312	-96,610			
CS Corporate Services						
Human Resources and Org Development	2,972,085	2,974,948	-2,863	-0.10%		
Customer Services	1,547,458	1,510,505	36,953	2.39%		
Total CS Corporate Services	4,519,543	4,485,453	34,090			
FBIS Finance, Budget, InformationTech Services						
FBIS - Admin	334,308	331,810	2,498	0.75%		
Budget , Performance Services	668,801	654,870	13,931	2.08%		
Financial Services	1,634,352	1,530,292	104,060	6.37%		
Information Technology Services	6,847,756	6,843,231	4,525	0.07%		
Total FBIS Finance, Budget, InformationTech Services	9,485,217	9,360,203	125,014			
IES Infrastructure and Engineering Services						
Infrastructure, Engineering Services - Admin	244,122	241,620	2,502	1.02%		
Drainage, Asset, Waste Management	8,588,465	8,663,716	-75,251	-0.88%		
Engineering, Transportation Services	3,517,995	3,376,339	141,656	4.03%		
Public Works	42,763,862	44,545,438	-1,781,576	-4.17%		
Rec Facilities & Parks and Open Spaces	7,167,862	7,183,609	-15,747	-0.22%		
Total IES Infrastructure and Engineering Services	62,282,306	64,010,722	-1,728,416			
Total POL Police Services	30,910,335	30,239,684	670,651	2.17%		
Total 00100 CHATHAM-KENT OPERATING	-3	-165,888	165,885			
Total 100 CK Municipal Operations	-3	-165,888	165,885	0.05%		

COMMENT Winter Control, Gravel Pit and Grading deficits