

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: December 18, 2019
Subject: October 2019 Budget Variance Forecast

Recommendations:

It is recommended that:

1. \$2,260,000 of the projected 2019 surplus be transferred to the Reserve for Roadside Assessment, and allocated to the 2020 Budget process to fund one-time municipal roadside drainage assessments.
2. Administration continue to monitor operations and report back to Council with the Final 2019 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.

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

A) Departmental:

Departments have prepared forecasts as at October 31st to the end of the year. The October variance report provides the latest forecast for Council's information heading into the 2020 budget deliberations.

The October 2019 budget variance is forecasting a net surplus of \$2.4M representing 0.7% of the gross operating budget and is detailed in Appendix A. The main reasons for the surplus are increased investment revenues and additional assessment growth. The issues have been identified in the following table:

Department Summary of Projected Budget Variance		
<u>Department</u>	<u>October '19 Surplus (Deficit)</u>	<u>Comments</u>
Non Departmental	\$2,177,150	Interest Income and assessment growth surpluses offset by Provincial OMPF cut, Bloomfield Business Park interest costs and the Council approved Enbridge pipeline grant
Chief Administrative Office	-\$23,676	Strategic Plan fees
Mayor, Council & Admin Support	\$667	Various minor issues
Community Development	-\$26,301	Provincial Ambulance cut , Fire OT and protective clothing offset by staff related surpluses in Legal and Economic Development
Community Human Services	\$35,844	Various minor issues
Corporate Services	\$110,229	Delayed Staff hiring partially offset by increase in animal control contract
Finance, Budget & Information Technology Services	\$188,571	John D. Bradley Centre deficit offset by Staff related and various minor surpluses
Infrastructure & Engineering Services	-\$210,746	Public Works deficit in Winter Control, Sidewalk salting
Police Services	\$193,477	Staff related
Projected Surplus	<u>\$2,445,215</u>	
<u>Considerations (subject to final variance):</u>		
One-time transfers:		
- Unfunded Capital - Bloomfield Business Park	\$88,476	Per Council approved policy
- Reserve for Roadside Drainage Assessment	\$2,260,000	Allocated in 2020 Draft Budget
- Reserve for Police Services	\$96,739	1/2 police surplus allocated to Police Board
	<u>\$2,445,215</u>	

B) Divisional:

The following explanations have been provided by the divisions regarding budget overruns >2%:

Non-Departmental has an overall surplus of \$2,177,000. The following divisional activities exceed a budget overrun of 2%:

Grants and Requisitions		Matt Torrance	
	Net Final Budget	\$3,139,109	
	Projected Deficit	(\$498,446)	
	Calculated %	(15.88%)	
The projected deficit is due to the Enbridge pipeline 10-year tax grant previously approved by Council			

Provincial Downloading Services		Matt Torrance	
	Net Final Budget	(\$19,318,202)	
	Projected Deficit	(\$426,196)	
	Calculated %	(2.21%)	
The projected deficit is due to Provincial Budget Cuts			

CAO's Office has an overall deficit of \$24,000. The following divisional activities exceeded a budget overrun of 2%:

Chief Administrative Officer		Don Shropshire	
	Net Final Budget	\$840,073	
	Projected Deficit	(\$23,676)	
	Calculated %	(2.82%)	
The projected deficit is due to the development of Council's strategic plan			

Community Development Services has an overall deficit of \$26,000. The following divisional activities exceed a budget overrun of 2%:

Community Development Admin		John Norton	
	Net Final Budget	\$234,452	
	Projected Deficit	(\$49,631)	
	Calculated %	(21.17%)	
The projected deficit is due to the temporary Business Development Analyst working on reducing red tape funded by surpluses in CD - Economic Development.			

Fire and Emergency Services		Chris Case	
	Net Final Budget	\$22,517,864	
	Projected Deficit	(\$463,044)	
	Calculated %	(2.06%)	

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

Corporate Services has an overall surplus of \$110,000. The following divisional activities exceed a budget overrun of 2%:

Municipal Governance		Cathy Hoffman	
	Net Final Budget	\$613,398	
	Projected Deficit	(\$38,756)	
	Calculated %	(6.32%)	
The projected deficit is due to the increase in the animal control contract.			

Infrastructure and Engineering Services has an overall deficit of \$211,000. The following divisional activities exceed a budget overrun of 2%:

Infrastructure and Engineering Services Admin		Thomas Kelly	
	Net Final Budget	\$280,240	
	Projected Deficit	(\$9,099)	
	Calculated %	(3.25%)	
The projected deficit is the result of costs associated with managing ongoing flooding along the shorelines of the municipality			

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 compiled and provided comments on their October 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 surpluses be transferred to unfunded capital issues or reserves to handle future issues.

Prepared by:

Reviewed by:

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

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

Attachment: Appendix A – October 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	2019	2019	2019
	Approved	Forecast	Calculated Surplus	Calculated Surplus	Variance Forecast
	Final Budget	as of Oct	(Deficit) Variance	(Deficit) %	Comment
Non Non Departmental					
Grants and Requisitions	3,139,109	3,637,555	-498,446	-15.88%	Enbridge pipeline grant
General Revenues	-163,367,352	-165,777,386	2,410,034	1.48%	
Financial Expenses	778,290	30,351	747,939	96.10%	
Capital - Admin	7,736,288	7,792,469	-56,181	-0.73%	
Provincial Downloading Services	-19,318,202	-18,892,006	-426,196	-2.21%	OMPF Provincial Cut
General Administration	-1,391,961	-1,391,961		0.00%	
Total Non Non Departmental	-172,423,828	-174,600,978	2,177,150	-1.26%	
CAO CAO					
Chief Administrative Officer	840,073	863,749	-23,676	-2.82%	Strat Plan consulting fees
Total CAO CAO	840,073	863,749	-23,676	-2.82%	
MAY Mayor,Council and Admin Support					
Office of the Mayor/ Council	325,134	325,134		0.00%	
Council, Council Support	828,094	827,427	667	0.08%	
Total MAY Mayor,Council and Admin Support	1,153,228	1,152,561	667	0.06%	
CD Community Development					
Community Development - Admin	234,452	284,083	-49,631	-21.17%	Business Development Analyst position
Legal Services	1,194,532	914,267	280,265	23.46%	
Building Development Services	194,207	174,753	19,454	10.02%	
Planning Services	680,573	547,188	133,385	19.60%	
Economic Development Services	1,246,156	1,192,886	53,270	4.27%	
Fire and Emergency Services	22,517,864	22,980,908	-463,044	-2.06%	Prov Ambulance shortfall, Fire OT, Uniforms, Protective clothing
Total CD Community Development	26,067,784	26,094,085	-26,301	-0.10%	
CHS Community Human Services					
Community Human Services - Admin	161,800	161,800		0.00%	
Child Care & Early Years	1,502,476	1,502,476		0.00%	

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Variance Report by BU-sector summary

Selected year **2019**

Appendix A

100 CK Municipal Operations

	2019	2019	2019	2019	2019
	Approved	Forecast	Calculated Surplus	Calculated Surplus	Variance Forecast
	Final Budget	as of Oct	(Deficit) Variance	(Deficit) %	Comment
Public Health	1,978,667	1,978,668	-1	0.00%	
Employment and Social Services	4,967,204	4,967,204	0	0.00%	
Seniors Services	5,804,549	5,804,549		0.00%	
Housing Services	7,287,274	7,287,274		0.00%	
Community Attraction and Leisure Services	4,292,414	4,253,469	38,945	0.91%	
CK Public Library	4,120,663	4,123,763	-3,100	-0.08%	
Total CHS Community Human Services	30,115,047	30,079,203	35,844	0.12%	
CS Corporate Services					
Human Resources and Org Development	3,418,668	3,272,573	146,095	4.27%	
Customer Services	1,590,360	1,587,470	2,890	0.18%	
Municipal Governance	613,398	652,154	-38,756	-6.32%	animal control contract
Total CS Corporate Services	5,622,426	5,512,197	110,229	1.96%	
FBIS Finance, Budget, InformationTech Services					
FBIS - Admin	352,844	343,443	9,401	2.66%	
Budget , Performance Services	656,140	623,116	33,024	5.03%	
Financial Services	1,793,110	1,632,574	160,536	8.95%	
Information Technology Services	7,434,833	7,434,833	0	0.00%	
John D Bradley Convention Centre	1,001,286	1,015,676	-14,390	-1.44%	
Total FBIS Finance, Budget, InformationTech Services	11,238,213	11,049,642	188,571	1.68%	
IES Infrastructure and Engineering Services					
Infrastructure, Engineering Services - Admin	280,240	289,339	-9,099	-3.25%	Additional costs as a result of dealing with ongoing shoreline flooding
Drainage, Asset, Waste Management	10,395,504	10,255,766	139,738	1.34%	
Engineering, Transportation Services	3,643,387	3,309,462	333,925	9.17%	
Public Works	44,275,271	44,837,775	-562,504	-1.27%	
Rec Facilities & Parks and Open Spaces	7,710,491	7,823,297	-112,806	-1.46%	
Total IES Infrastructure and Engineering Services	66,304,893	66,515,639	-210,746	-0.32%	
POL Police Services					
Total POL Police Services	31,082,165	30,888,688	193,477	0.62%	
Total 00100 CHATHAM-KENT OPERATING	1	-2,445,214	2,445,215		
Total 100 CK Municipal Operations	1	-2,445,214	2,445,215	0.74%	