

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 14, 2018
Subject: October 2018 Budget Variance Forecast

Recommendations:

It is recommended that:

1. \$750,000 of the projected 2018 surplus be transferred to the Reserve for Roadside Assessment, and allocated to the 2019 Budget process to fund one time municipal roadside drainage assessments.
2. Administration continue to monitor operations and report back to Council with the Final 2018 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 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 \$125,000 have been absorbed in the Divisional variances.

The following two sections provide explanations of the variance:

- A) Departmental

October 2018 Budget Variance Forecast

B) Divisional variances > 2% overrun

A) Departmental:

Departments have prepared forecasts as at October to the end of the year. The October variance report provides the latest forecast for Council's information heading into the 2019 budget deliberations.

The October 2018 budget variance is forecasting a net surplus of \$2.3M 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 '18 Surplus (Deficit)</u>	<u>Comments</u>
Non Departmental	\$2,463,124	Bloomfield Business Park interest cost offset by Interest Income and Supplementary Tax surpluses
Chief Administrative Office	\$626	Various minor issues
Mayor, Council & Admin Support	\$27,066	Various minor issues
Community Development	\$343,393	Various minor issues
Community Human Services	-\$11,735	Various minor issues
Corporate Services	-\$33,777	Various minor issues
Finance, Budget & Information Technology Services	-\$56,111	J.D. Bradley Centre Minimum Wage related
Infrastructure & Engineering Services	-\$976,655	Public Works deficit in Salt Materials, Grading gravel roads
Police Services	\$531,635	Staff related and additional Provincial Subsidies
Projected Surplus	\$2,287,566	
<u>Considerations (subject to final variance):</u>		
One-time transfers:		
- Reserve for Roadside Drainage Assessment	\$750,000	Allocated in 2019 Draft Budget
- Unfunded Capital - Bloomfield Business Park	\$500,000	Per Council approved policy
- Reserve for Police Services	\$265,818	1/2 police surplus allocated to Police Board
- Reserve for Strategic Development	\$771,748	
	\$2,287,566	

October 2018 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:

Finance, Budget and Information Technology Services has an overall deficit of \$56,000. The following divisional activities exceed a budget overrun of 2%:

Convention Centre		Mike Turner
Net Final Budget	\$951,286	
Projected Deficit	(\$62,000)	
Calculated %	(6.52%)	

The projected deficit is mainly due to increased minimum wage costs. Council approved a new 5 year contract in mid-2018. The 2019 budget has an increase recommended for the Convention Centre to offset the minimum wage increases.

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)

October 2018 Budget Variance Forecast

Consultation:

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

Financial Implications:

Caution must be used on spending any funds based only on projections. However, this late in the year administration recommends using \$750,000 of the projected \$2.3M surplus to be brought to the 2019 budget deliberations to deal with a one-time \$2.7M municipal roadside drainage assessment requirement for completed projects.

Dependent on actual variance results at the end of 2018 closeout in mid-2019, administration will recommend that any surplus be transferred to unfunded capital issues or reserves to handle future issues, thus reducing the need for future property tax.

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 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	2018	Calculated	Calculated	RTC	
	Approved	Forecast	Surplus (Deficit)	Surplus (Deficit)	Exceptions	Variance Forecast
	Final Budget	as of October	Variance	%	>-2%	Comment
00100 CHATHAM-KENT OPERATING						
Non Non Departmental						
Grants and Requisitions	2,692,667	2,682,650	10,017	0.37%		
General Revenues	-157,498,054	-160,025,554	2,527,500	-1.60%		
Financial Expenses	483,815	490,151	-6,336	-1.31%		
Capital - Admin	7,609,288	7,673,054	-63,766	-0.84%		
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	-167,361,372	-169,824,496	2,463,124			
CAO CAO						
Chief Administrative Officer	814,541	813,915	626	0.08%		
Total CAO CAO	814,541	813,915	626			
MAY Mayor,Council and Admin Support						
Office of the Mayor/ Council	275,220	266,016	9,204	3.34%		
Council, Council Support	699,197	681,335	17,862	2.55%		
Total MAY Mayor,Council and Admin Support	974,417	947,351	27,066			
CD Community Development						
Community Development - Admin	324,036	313,554	10,482	3.23%		
Legal Services	1,019,015	969,275	49,740	4.88%		
Municipal Governance	432,213	420,007	12,206	2.82%		
Building Development Services	189,182	191,532	-2,350	-1.24%		
Planning Services	544,322	447,210	97,112	17.84%		
Economic Development Services	1,096,168	1,085,759	10,409	0.95%		
Fire and Emergency Services	21,875,275	21,709,481	165,794	0.76%		
Total CD Community Development	25,480,211	25,136,818	343,393			
CHS Community Human Services						
Community Human Services - Admin	143,274	143,274	0	0.00%		
Child Care & Early Years	1,514,534	1,505,985	8,549	0.56%		
Public Health	1,941,001	1,941,001	0	0.00%		
Employment and Social Services	5,171,382	5,171,382	0	0.00%		
Seniors Services	6,273,473	6,273,475	-2	0.00%		
Housing Services	8,161,019	8,161,017	2	0.00%		
Community Attraction and Leisure Services	4,284,733	4,278,912	5,821	0.14%		
CK Public Library	4,082,116	4,108,221	-26,105	-0.64%		
Total CHS Community Human Services	31,571,532	31,583,267	-11,735			
CS Corporate Services						
Human Resources and Org Development	3,046,011	3,099,423	-53,412	-1.75%		
Customer Services	1,567,601	1,547,966	19,635	1.25%		

MUNICIPALITY OF CHATHAM-KENT

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

Appendix A

100 CK Municipal Operations

	2018	2018	Calculated	Calculated	RTC	
	Approved	Forecast	Surplus (Deficit)	Surplus (Deficit)	Exceptions	Variance Forecast
	Final Budget	as of October	Variance	%	>-2%	Comment
Total CS Corporate Services	4,613,612	4,647,389	-33,777			
FBIS Finance, Budget, InformationTech Services						
FBIS - Admin	349,187	346,364	2,823	0.81%		
Budget , Performance Services	707,936	707,204	732	0.10%		
Financial Services	1,682,853	1,682,301	552	0.03%		
Information Technology Services	6,907,809	6,906,027	1,782	0.03%		
John D Bradley Convention Centre	951,286	1,013,286	-62,000	-6.52%	COMMENT	Minimum Wage addressed in new contract
Total FBIS Finance, Budget, InformationTech Services	10,599,071	10,655,182	-56,111			
IES Infrastructure and Engineering Services						
Infrastructure, Engineering Services - Admin	274,114	278,076	-3,962	-1.45%		
Drainage, Asset, Waste Management	8,103,766	8,215,072	-111,306	-1.37%		
Engineering, Transportation Services	3,629,129	3,581,553	47,576	1.31%		
Public Works	42,903,071	43,684,581	-781,510	-1.82%		
Rec Facilities & Parks and Open Spaces	7,378,695	7,506,148	-127,453	-1.73%		
Total IES Infrastructure and Engineering Services	62,288,775	63,265,430	-976,655			
Total POL Police Services	31,019,212	30,487,577	531,635	1.71%		
Total 00100 CHATHAM-KENT OPERATING	-1	-2,287,567	2,287,566			
Total 100 CK Municipal Operations	-1	-2,287,567	2,287,566	0.7%		