

Municipality of Chatham-Kent

Finance, Budget and Information Technology & Transformation

Budget & Performance Services

To: Mayor and Members of Council
From: Steven Brown, CPA, CMA
Director, Budget & Performance Services
Date: July 23, 2020
Subject: June 2020 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 2021 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 versus actual variances to year-end. Many assumptions were made in the development of the June 2020 variance due to the ongoing COVID-19 pandemic causing uncertainty for the remainder of the 2020 budget year. 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 or an overrun in excess of \$1.0M

A) Departmental:

Departments have prepared forecasts as at June 30th to the end of the year. Future variance forecasts are scheduled for October 31, which will be updated during budget deliberations in January 2021.

The June 2020 budget variance is forecasting a net shortfall of \$3.1M representing 0.93% 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

Department	June 2020 Surplus/(Deficit)	Comments
Non Departmental	-\$1,680,227	Decrease in casino and investment income
Chief Administrative Office	-\$348,928	Increase in land ambulance costs due to COVID
Mayor, Council & Admin Support	\$64,398	Decrease in travel and conferences due to COVID
Community Development	-\$233,630	Reduction in Provincial Offenses Court revenue offset by a decrease in conference and meeting expenses due to COVID
Community Human Services	\$404,426	Increase in staffing related costs at Riverview Gardens and a decrease in rental revenue for the Capitol Theatre offset by staffing and book purchase savings for the Library and summer camp cancellation savings
Corporate Services	-\$246,412	Increase in retiree benefits and a decrease in lottery licensing revenue
Finance, Budget and Information Technology & Transformation	-\$108,364	Bradley Centre reduced rental revenue
Infrastructure & Engineering Services	-\$1,062,332	Decrease in facility rentals and parking lot and recycling revenue due to COVID and a shortfall in the winter control salt budget
Police Services	\$161,660	Staff related
Projected Deficit	-\$3,049,409	
Transfer to Reserve for Police Services	\$80,830	50% of Police Services Surplus
Total Projected Chatham-Kent Deficit	-\$3,130,239	

B) Divisional:

The following explanations have been provided by the divisions regarding budget overruns >2% or have a cost overrun in excess of \$1.0M along with mitigating steps that have/or will be put in place:

Non-Operating has an overall deficit of \$1,680,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

General Revenues		Gord Quinton
Net Final Budget	(\$178,554,383)	
Projected Deficit	(\$1,513,838)	
Calculated %	0.84%	

The projected deficit is due to a decrease in casino and investment income.

Community Development Services has an overall deficit of \$234,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Legal Services		Bruce McAllister
Net Final Budget	\$1,337,034	
Projected Deficit	(\$436,761)	
Calculated %	(32.67%)	

The projected deficit is due to a reduction in Provincial Offenses Court fines as a result of the Court shutdown because of COVID.

Community Human Services has an overall surplus of \$404,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Seniors Services		April Rietdyk
Net Final Budget	\$5,981,258	
Projected Deficit	(\$887,631)	
Calculated %	(14.84%)	

The projected deficit is due to increased staffing costs at Riverview Gardens due to COVID restrictions.

Corporate Services has an overall deficit of \$246,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Human Resources and Organizational Development		Cathy Hoffman
Net Final Budget	\$3,655,217	
Projected Deficit	(\$180,062)	
Calculated %	(4.93%)	

The projected deficit is due to a temporary increase in retiree benefits because of many new retirees.

Municipal Governance Cathy Hoffman

Net Final Budget	\$855,693
Projected Deficit	(\$58,854)
Calculated %	(6.88%)

The projected deficit is due to a reduction in lottery and dog licenses because of COVID.

Finance, Budget and Information Technology & Transformation has an overall deficit of \$108,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

John D. Bradley Convention Centre Gord Quinton

Net Final Budget	\$1,001,286
Projected Deficit	(\$259,214)
Calculated %	(25.89%)

The projected deficit is due to reduction in rental revenue resulting from COVID.

Infrastructure and Engineering Services has an overall deficit of \$1,062,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Public Works Thomas Kelly

Net Final Budget	\$47,012,848
Projected Deficit	(\$991,049)
Calculated %	(2.11%)

The projected deficit is mainly due to insufficient salt budget because of previous Council decisions and Sidewalk Salting shortfall and a reduction in parking lot revenue because of COVID.

Rec Facilities & Parks and Open Spaces Thomas Kelly

Net Final Budget	\$8,254,271
Projected Deficit	(\$370,280)
Calculated %	(4.49%)

The projected deficit is mainly due to a reduction in arena rental revenue because of COVID.

COVID-19 Municipal Impacts

As a result of the COVID-19 pandemic, the municipality has been impacted in many areas, including a loss of revenue and increased costs, but also with cost reductions and increased funding.

As highlighted in Appendix B – June 2020 Variance COVID-19 Expenses, the overall net expense currently projected to December 31, 2020 due to the COVID-19 emergency is \$3.9M. The overall financial position of the Municipality of Chatham-Kent had it not been for the pandemic, would be a surplus of \$850,000.

Administration will continue to monitor the financial situation and COVID-19 assumptions used in the development of the June variance.

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 2020 variance report and developed options, if necessary, to manage to their bottom line.

Financial Implications

Dependent on actual variance results at the end of 2020, administration will recommend that any deficits be funded from reserves and any surplus 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

Attachments: Appendix A – June 2020 Variance by Division
Appendix B – June 2020 Variance Covid-19 Expenses

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MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary

Selected year **2020**

Appendix A

100 CK Municipal Operations

	2020	2020	2020	Calculated	Caclulated	RTC	2020
	Approved	Actuals	Forecast	Surplus(Deficit)	Surplus(Deficit)	Exceptions	Variance Forecast
	Final Budget	To-date	as of June	Variance	%	>2%	Comment
00100 CHATHAM-KENT OPERATING							
Non Non Departmental							
Grants and Requisitions	3,105,328	-354,955	3,076,720	28,608	0.92%		
General Revenues	-180,068,221	-104,538,813	-178,554,383	-1,513,838	0.84%	COMMENT	Decrease in casino and investment income
Financial Expenses	7,729,309	3,429,565	7,860,750	-131,441	-1.70%		
Capital - Admin	7,607,254	12,086,928	7,655,615	-48,361	-0.64%		
Provincial Downloading Services	-18,467,208	-8,852,904	-18,467,208	0	0.00%		
General Administration	-1,383,591	-1,123,945	-1,399,108	15,517	-1.12%		
Extraordinary Events		23,901	30,712	-30,712			COVID Thames Campus Arena overflow
Total Non Non Departmental	-181,477,129	-99,330,223	-179,796,902	-1,680,227	0.93%		
CAO CAO							
Chief Administrative Officer	832,450	373,801	847,164	-14,714	-1.77%		
Fire and Emergency Services	23,064,155	10,995,166	23,398,369	-334,214	-1.45%		
Total CAO CAO	23,896,605	11,368,967	24,245,533	-348,928	-1.46%		
MAY Mayor,Council and Admin Support							
Office of the Mayor/ Council	327,596	173,226	327,596	0	0.00%		
Council, Council Support	904,447	395,112	840,049	64,398	7.12%		Decrease in travel and meeting expenses due to COVID
Total MAY Mayor,Council and Admin Support	1,232,043	568,338	1,167,645	64,398	5.23%		
CD Community Development							
Community Development - Admin	289,183	136,839	280,824	8,359	2.89%		Decrease in travel and meeting expenses due to COVID
Legal Services	1,337,034	1,710,706	1,773,795	-436,761	-32.67%	COMMENT	POC revenue reduction due to Courts being cancelled as a result of COVID partially offset by staffing related savings
Building Development Services	217,230	-393,658	213,984	3,246	1.49%		
Planning Services	1,086,690	117,881	1,028,928	57,762	5.32%		
Economic Development Services	1,213,176	385,119	1,079,412	133,764	11.03%		Reduced tradeshow, travel and meeting expenses
Total CD Community Development	4,143,313	1,956,887	4,376,943	-233,630	-5.64%		
CHS Community Human Services							
Community Human Services - Admin	172,952	-35,742	172,953	-1	0.00%		
Child Care & Early Years	1,505,722	-5,496,835	1,506,923	-1,201	-0.08%		
Public Health	2,254,698	94,219	2,254,699	-1	0.00%		
Employment and Social Services	4,989,267	4,588,508	4,554,867	434,400	8.71%		Childcare benefit and portable housing surplus
Seniors Services	5,981,258	3,536,356	6,868,889	-887,631	-14.84%	COMMENT	Increased staffing costs due to COVID
Housing Services	7,524,254	485,330	7,524,254	0	0.00%		

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Appendix A

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	Approved	Actuals	Forecast	Surplus(Deficit)	Surplus(Deficit)	Exceptions	Variance Forecast
	Final Budget	To-date	as of June	Variance	%	>2%	Comment
Community Attraction and Leisure Services	4,438,975	945,314	4,146,019	292,956	6.60%		Theature rental revenue decrease offset by staffing related savings due to summer program cancellations.
CK Public Library	4,310,886	1,928,167	3,744,982	565,904	13.13%		Staffing related and book purchase savings due to COVID
Total CHS Community Human Services	31,178,012	6,045,317	30,773,586	404,426	1.30%		
CS Corporate Services							
Human Resources and Org Development	3,655,217	1,377,795	3,835,279	-180,062	-4.93%	COMMENT	Increase in retiree benefits
Customer Services	1,593,239	470,535	1,600,735	-7,496	-0.47%		
Municipal Governance	855,693	373,049	914,547	-58,854	-6.88%	COMMENT	Reduction in lottery and dog licensces due to COVID partially offset by staffing related savings
Total CS Corporate Services	6,104,149	2,221,379	6,350,561	-246,412	-4.04%	COMMENT	
FBITT Finance, Budget, InformationTech & Transformation							
FBITT - Admin	345,239	125,925	345,715	-476	-0.14%		
Budget , Performance Services	654,397	329,834	651,096	3,301	0.50%		
Financial Services	1,835,457	-91,240	1,701,941	133,516	7.27%		Reduction in tax sale, travel and meeting expenses and staff related savings due to COVID
Information Technology & Transformation	7,636,328	3,379,525	7,621,819	14,509	0.19%		
John D Bradley Convention Centre	1,001,286	250,549	1,260,500	-259,214	-25.89%	COMMENT	Increased expenses and reduced rental revenue due to COVID
Total FBITT Finance, Budget, InformationTech & Transformation	11,472,707	3,994,593	11,581,071	-108,364	-0.94%		
IES Infrastructure and Engineering Services							
Infrastructure, Engineering Services - Admin	281,494	-566,779	281,650	-156	-0.06%		
Drainage, Asset, Waste Management	12,045,711	14,762,930	11,720,133	325,578	2.70%		Revenue reduction in recyclables due to poor market conditions offset by a decrease in fuel price due to COVID market change
Engineering, Transportation Services	4,160,080	2,231,983	4,186,505	-26,425	-0.64%		
Public Works	47,012,848	42,097,058	48,003,897	-991,049	-2.11%	COMMENT	Decrease in parking lot revenue due to COVID and salting budget shortfall
Rec Facilities & Parks and Open Spaces	8,254,271	5,977,095	8,624,551	-370,280	-4.49%	COMMENT	Decrease in rental revenue due to COVID
Total IES Infrastructure and Engineering Services	71,754,404	64,502,287	72,816,736	-1,062,332	-1.48%		
POL Police Services							
Administrative Support	8,108,381	4,079,099	8,594,372	-485,991	-5.99%		
Community Patrol	16,317,647	7,857,337	15,815,994	501,653	3.07%		
Office of the Chief	1,070,655	575,021	1,047,650	23,005	2.15%		
Operational Support	5,906,669	2,522,515	5,804,857	101,812	1.72%		
Police Services Board	292,548	149,755	271,367	21,181	7.24%		
Total POL Police Services	31,695,900	15,183,727	31,534,240	161,660	0.51%		
Total 00100 CHATHAM-KENT OPERATING	4	6,511,272	3,049,413	-3,049,409			
Total 100 CK Municipal Operations	4	6,511,272	3,049,413	-3,049,409			

COVID-19 Related Items

Appendix B

Dept/Division/Area	Revenues Lost	Additional Costs	Cost Savings/ Avoidance	Additional Funding	Notes
<u>NON Departmental:</u>	1,464,800	30,712	- 72,617	-	Decrease in Casino and interest income partially offset by a reduction in TogetherCK Grants
<u>CAO/Mayor:</u>	-	246,773	- 54,950	-	Increased costs for fire and Land Ambulance partially offset by reduced use of travel and conference budgets
<u>Community Development:</u>	627,500	2,397	- 255,747	-	Provincial Offences revenue reduction due to the Courts being closed partially offset by reduced use of conference and travel budgets
<u>Community Human Services:</u>	1,136,426	4,696,820	- 1,986,156	- 2,667,068	Decrease in revenue for Capitol Theatre and day camps, with increased expense in Riverview Gardens and the homelessness shelter offset by an increase Provincial funding for Riverview Gardens, the homelessness shelter and staffing reduction savings
<u>Corporate Services:</u>	133,681	11,000	- 58,392	-	Decrease in licencing revenues and position vacancy
<u>Finance Budget and Information Technology & Transformation:</u>	294,327	18,162	- 146,988	-	Bradley Centre losses and a reduction in tax sale revenue partially offset by reduced use of conference and travel budgets and delayed hiring of vacant positions
<u>Infrastructure and Engineering Services:</u>	1,375,705	108,706	- 1,432,574	-	Decrease in transit, parking lot, parks and arena revenue offset by decrease in fuel prices, transit contract and arena & park expenses
<u>Police:</u>	106,959	315,303	-	-	Decrease in background check and paid duty events revenue and increase in overtime for staff
	5,139,398	5,429,873	- 4,007,424	- 2,667,068	

TOTAL COVID-19 COSTS

3,894,779