

Municipality of Chatham-Kent
Finance, Budget, Information Technology & Transformation
Budget & Performance Services

To: Mayor and Members of Council
From: Steven Brown, CPA, CMA
Director, Budget & Performance Services
Date: December 1, 2020
Subject: October 2020 Budget Variance Forecast

Recommendations

It is recommended that:

1. Administration continue to monitor operations and report back to Council with the Final 2020 variance report after the completion of the year-end audit.
2. \$900,000 be transferred from the Winter Control Reserve to offset the deficit in the salt material and snowplow contract budget.

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 continuing to be made in the development of the October 2020 variance due to the ongoing COVID-19 pandemic causing some 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 projected budget variance has been summarized both departmentally and divisionally.

A) Departmental:

Departments have prepared forecasts as at October 31st to the end of the year. The October budget variance provides the latest forecast for Council's information heading into the 2021 budget deliberations.

The October budget variance is forecasting a net deficit of \$4.3M representing 1.24% 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	October 2020 Surplus/(Deficit)	Comments
Non Departmental	(\$3,211,501)	Decrease in casino and investment income. Increase in property tax write-offs. Fibre Permitting fee waiver.
Chief Administrative Office	(\$2,164)	Staffing related
Fire and Emergency Services	(\$321,373)	Increase in land ambulance costs due to COVID.
Community Development	\$182,377	Decrease in conference and meeting expenses due to COVID. Increase in planning application fees and staff vacancies.
Community Human Services	\$108,013	Increase in staffing related costs at Riverview Gardens. Decrease in rental revenue for the Capitol Theatre due to COVID Staffing and book purchase savings for the Library. Summer camp cancellation savings. Staff vacancies and portable housing surplus in Employment and Social Services.
Corporate Services	(\$576,791)	Increase in retiree benefits. Decrease in lottery licensing revenue. Decrease in Provincial Offenses Court revenues due to Courts being cancelled as a result of COVID.
Finance, Budget, Information Technology & Transformation	(\$102,312)	Bradley Centre reduced rental revenue.
Infrastructure & Engineering Services	(\$1,577,653)	Decrease in facility rentals and recycling revenue due to COVID. Shortfall in winter control salt budget partially offset by decrease in fuel and fleet repairs.
Police Services	\$640,803	Staffing related
Projected Deficit	(\$4,860,601)	

Department	October 2020 Surplus/(Deficit)	Comments
Transfer to Reserve for Police Services	(\$320,402)	50% of Police Services surplus
Transfer from Winter Control Reserve	\$900,000	Transfer from Winter Control to offset deficit in salt and snow plowing contracts
Total Projected Deficit	(\$4,281,003)	

B) Divisional:

The following explanations have been provided by the divisions regarding budget overruns of >2% or that 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 \$3,211,501. 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	(\$180,068,221)	
Projected Deficit	(\$2,008,416)	
Calculated %	1.12%	

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

General Administration		Gord Quinton
Net Final Budget	(\$1,383,591)	
Projected Deficit	(\$762,041)	
Calculated %	54.47%	

The projected deficit is due to unbudgeted costs associated with the Fibre Permitting Fee waiver.

Community Development Services has an overall surplus of \$182,377. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Building Development Services		Bruce McAllister
Net Final Budget	\$226,232	
Projected Deficit	(\$11,270)	
Calculated %	5.27%	

The projected deficit is due to overtime costs related to COVID enforcement.

Community Human Services has an overall surplus of \$108,013. 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	\$5,980,117	
Projected Deficit	(\$1,293,097)	
Calculated %	18.83%	

The projected deficit is due to increased staffing costs at Riverview Gardens due to COVID restrictions. The \$1.3M deficit at RVG are the extra costs in staffing, increased nursing and cleaning that were not offset by other operational surpluses. In order to maximize Provincial COVID funding, administration has limited the budgeted transfer from reserves to offset the reduced funding from the lower CMI score. Had the transfer of reserve been completed as budgeted, the RVG deficit would have been reported as \$900K.

Corporate Services has an overall deficit of \$576,791. 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	\$3,680,976
Projected Deficit	(\$164,458)
Calculated %	4.30%

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

Municipal Governance	Cathy Hoffman
Net Final Budget	\$1,250,941
Projected Deficit	(\$466,913)
Calculated %	(27.90%)

The projected deficit is due to a reduction in Provincial Offenses revenues due to Courts being cancelled as a result of COVID which was partially offset by savings in staffing.

Finance, Budget, Information Technology & Transformation has an overall deficit of \$102,312. 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	(\$175,000)
Calculated %	(13.88%)

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

Infrastructure & Engineering Services has an overall deficit of \$1,577,653. 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	\$46,602,153
Projected Deficit	(\$2,156,640)
Calculated %	4.51%

The projected deficit is mainly due to insufficient salt budget because of previous Council decisions, sidewalk salting shortfalls and snowplowing contracts, along with a deficit within the water and wastewater contract.

Recreation Facilities & Parks and Open Spaces	Thomas Kelly
Net Final Budget	\$8,270,402
Projected Deficit	(\$815,212)
Calculated %	9.45%

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

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, not including the Safe Restart Funding, is \$6.1M. Chatham-Kent experienced a \$10.9M increase in costs and a decrease in revenues of \$6.7M as a direct result of COVID-19. Due to various cost saving measures, Chatham-Kent was able to reduce spending by \$7.1M and received additional COVID assistance funding of \$4.5M as well as an additional \$5.8M in Safe Restart Funding from the Province. The overall financial position of the Municipality of Chatham-Kent, had it not been for the pandemic, would be a surplus of \$1.8M.

Chatham-Kent has received Safe Restart Funding from the Province to assist with COVID-19 related items. The \$5.8M received will offset the 2020 projected deficit of \$4.3M and allow for a \$1.5M carryover into the 2021 budget year to assist with the ongoing COVID-19 impacts on the Municipality.

Administration will continue to monitor the financial situation and COVID-19 assumptions used in the development of the October variance as we approach the 2021 budget deliberations.

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 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 the Safe Restart Funding and the remaining Safe Restart Funding be carried forward to the 2021 budget year to assist with ongoing COVID-19 budget impacts. Based on the October variance forecast, the Safe Restart Funding carryover to the 2021 budget year will be approximately \$1.5M.

Prepared by: Reviewed by:

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

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

Attachments: Appendix A – October 2020 Variance by Division
Appendix B – October 2020 Variance COVID-19 Expenses

P:\RTC\F&PS\Budget & PM\2020\RTC011 - October 2020 Budget Variance Forecast.docx

MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary
 Selected year **2020**

Appendix A

100 CK Municipal Operations

	2020	2020	2020	Calculated	Calculated	RTC	2020
	Approved	Actuals	Forecast to	Surplus(Deficit)	Surplus(Deficit)	Exceptions	Variance Forecast
	Final Budget	on Oct31	Dec31	Variance	%	>2%	COMMENTS
00100 CHATHAM-KENT OPERATING							
Non Non Departmental							
Grants and Requisitions	3,105,328		3,140,862	(35,534)	(1.15%)		SCRCA One Time Dam Operational Review
General Revenues	(180,068,221)	(176,506,531)	(178,059,805)	(2,008,416)	1.12%		Decrease in Casino and Investment Income
Financial Expenses	7,806,207	5,840,798	8,163,742	(357,535)	(4.51%)	COMMENT	Increase in Property tax write-offs
Capital - Admin	7,607,254	11,658,894	7,655,614	(48,360)	(0.63%)		
Payroll Benefit Clearing	0	23,329,012	0	0			
PSAB	0	(531,139)	0	0			
Provincial Downloading Services	(18,467,208)	(18,483,305)	(18,483,305)	16,097	(0.09%)		
General Administration	(1,383,591)	(7,393,844)	(621,550)	(762,041)	(54.47%)	COMMENT	Fibre Permitting Fee waiver unbudgeted
Extraordinary Events	0	18,610	15,712	(15,712)	(51.16%)	COMMENT	COVID Thames Campus Arena Overflow & PPE
Total Non Non Departmental	(181,400,231)	(162,067,505)	(178,188,730)	(3,211,501)	1.79%		
CAO CAO							
Chief Administrative Officer	832,450	642,980	838,693	(6,243)	(0.73%)		Staffing related
Legal Services	1,652,692	1,820,246	1,648,613	4,079	0.22%		
Total CAO CAO	2,485,142	2,463,226	2,487,306	(2,164)	(0.08%)		
Fire and Emergency Services							
Fire and Emergency Services	23,069,155	19,418,702	23,390,528	(321,373)	(1.37%)		Additional EMS COVID contract expense
Total Fire and Emergency Services	23,069,155	19,418,702	23,390,528	(321,373)	(1.37%)		
MAY Mayor,Council and Admin Support							
Office of the Mayor/ Council	327,596	255,373	327,596	0	0.00%		
Total MAY Mayor,Council and Admin Support	327,596	255,373	327,596	0	0.00%		
CD Community Development							
Community Development - Admin	325,579	265,276	325,127	452	0.16%		
Building Development Services	226,232	(572,859)	237,502	(11,270)	(5.27%)	COMMENT	Overtime for COVID enforcement
Planning Services	1,086,690	432,789	995,576	91,114	8.86%		Staff vacancies and increased application fees
Economic Development Services	1,213,176	798,815	1,111,095	102,081	9.46%		Reduced tradeshow, travel and meeting expenses
Total CD Community Development	2,851,677	924,021	2,669,300	182,377	7.01%		
CHS Community Human Services							
Community Human Services - Admin	172,952	134,868	172,952	0	0.00%		
Child Care & Early Years	1,475,657	(10,516,925)	1,475,657	0	0.00%		
Public Health	2,254,392	1,059,628	2,254,392	0	0.00%		
Employment and Social Services	4,961,273	7,324,977	4,230,461	730,812	16.04%		Portable housing surplus, Unspent SARS funding, staffing vacancies
Seniors Services	5,980,117	3,202,387	7,273,214	(1,293,097)	(18.83%)	COMMENT	Increased staffing, cleaning costs, and nursing supplies due to COVID
Housing Services	7,526,922	1,263,153	7,526,922	0	0.00%		
Community Attraction and Leisure Services	4,390,600	2,156,175	4,003,066	387,534	9.35%		Theatre rental revenue decrease offset by staffing related savings due to summer program cancellations.
CK Public Library	4,311,086	3,187,363	4,028,322	282,764	7.55%		Staffing related and book purchase savings due to COVID
Total CHS Community Human Services	31,072,999	7,811,626	30,964,986	108,013	0.35%		

MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary
 Selected year **2020**

Appendix A

100 CK Municipal Operations

	2020	2020	2020	Calculated	Calculated	RTC	2020
	Approved	Actuals	Forecast to	Surplus(Deficit)	Surplus(Deficit)	Exceptions	Variance Forecast
	Final Budget	on Oct31	Dec31	Variance	%	>2%	COMMENTS
CS Corporate Services							
Human Resources and Org Development	3,680,976	2,591,212	3,845,434	(164,458)	(4.30%)	COMMENT	Increase in retiree benefits
Customer Services	1,593,239	928,830	1,538,659	54,580	3.41%		Cost recovery from Province
Municipal Governance	1,250,941	1,119,555	1,717,854	(466,913)	(27.90%)	COMMENT	POC revenue reduction due to Courts being cancelled as a result of COVID partially offset by staffing related savings
Total CS Corporate Services	6,525,156	4,639,597	7,101,947	(576,791)	(8.12%)		
FBITT Finance, Budget, InformationTech & Transformation							
FBITT - Admin	345,239	243,422	352,013	(6,774)	(1.96%)		
Budget , Performance Services	654,397	574,205	653,009	1,388	0.21%		
Financial Services	1,835,457	1,092,549	1,831,785	3,672	0.22%		
Information Technology & Transformation	7,634,025	5,621,129	7,559,623	74,402	0.98%		
John D Bradley Convention Centre	1,001,286	450,395	1,176,286	(175,000)	(13.88%)	COMMENT	Increased expenses and reduced rental revenue due to COVID
Total FBITT Finance, Budget, InformationTech & Transformation	11,470,404	7,981,700	11,572,716	(102,312)	(0.88%)		
IES Infrastructure and Engineering Services							
Infrastructure, Engineering Services - Admin	281,494	(459,748)	278,683	2,811	1.00%		
Drainage, Asset, Waste Management	12,128,492	12,300,710	11,162,487	966,005	8.24%		Revenue reduction in recyclables due to poor market conditions offset by a decrease in fuel price due to COVID market change and decreased fleet repairs
Engineering, Transportation Services	4,565,908	3,987,706	4,140,525	425,383	10.16%		Staff vacancies
Public Works	46,602,153	44,648,342	48,758,793	(2,156,640)	(4.51%)	COMMENT	Winter control, increased contract expenses, water and wastewater contract deficit
Rec Facilities & Parks and Open Spaces	8,270,402	8,294,030	9,085,614	(815,212)	(9.45%)	COMMENT	Decrease in rental revenue due to COVID
Total IES Infrastructure and Engineering Services	71,848,449	68,771,040	73,426,102	(1,577,653)	(2.17%)		
POL Police Services							
Administrative Support	8,138,279	6,782,459	8,885,067	(746,788)	(8.69%)	COMMENT	NEER Surcharge
Community Patrol	16,317,647	13,361,406	15,669,535	648,112	4.10%		
Office of the Chief	1,094,513	922,701	1,063,982	30,531	2.91%		
Operational Support	5,906,669	4,234,317	5,230,423	676,246	11.65%		
Police Services Board	292,548	219,286	259,843	32,705	12.05%		
Total POL Police Services	31,749,656	25,520,169	31,108,850	640,803	2.03%		
Total 00100 CHATHAM-KENT OPERATING	0	(24,282,054)	4,860,598	(4,860,601)			
Total 100 CK Municipal Operations	0	(43,700,753)	4,860,598	(4,860,601)			

**Municipality of Chatham-Kent
COVID-19 Related Items**

Appendix B

Dept/Division/Area	Revenues Lost	Additional Costs	Cost Savings/ Avoidance	Additional Funding	Notes
<u>NON Departmental:</u>	2,234,816	215,712	0	0	Decrease in Casino and interest income, small business recovery grants and a decrease in tax arrears income
<u>Fire and Emergency Services</u>	-	939,086	(50,000)	(457,800)	Increased costs for fire and land ambulance partially offset by reduced use of travel and conference budgets and provincial land ambulance COVID funding
<u>CAO/Mayor:</u>	-	7,930	(4,356)	-	Increased costs due to COVID partially offset by a decrease in conference and seminars
<u>Community Development</u>	-	38,721	(117,216)	0	Decrease usage of conference and meeting budgets offsetting additional COVID related costs
<u>Community Human Services:</u>	1,707,477	8,355,334	(4,354,632)	(3,652,638)	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, staffing reduction savings and a decrease in conference and travel budgets
<u>Corporate Services:</u>	904,185	62,279	(392,517)	(1,175)	Provincial Offences revenue reduction due to the Courts being closed and a decrease in licensing revenue partially offset by reduced use of conference and travel budgets and staffing reduction savings
<u>Finance, Budget, Information Technology & Transformation:</u>	320,530	58,901	(87,991)	0	Bradley Centre losses, Information Technology equipment to support work from home 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 & Engineering Services</u>	1,484,293	1,057,970	(2,087,892)	(395,898)	Decrease in transit, parking lot, parks and arena revenue offset by decrease in fuel prices, transit contract and arena and park expenses. Increase waste and recycling fees with higher volume.
<u>Police:</u>	85,369	182,691	0	0	Decrease in background check and paid duty events revenue and increase in overtime for staff
	6,736,670	10,918,624	(7,094,604)	(4,507,511)	
TOTAL COVID-19 COSTS (Not Including Safe Restart Funding)				6,053,178	