



## Staff Report

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| <b>Report To:</b> | Dan Best, Chief Administrative Officer                        |
| <b>From:</b>      | <b>Sandy Becker, Financial Services<br/>Manager/Treasurer</b> |
| <b>Date:</b>      | March 19 2018   |
| <b>Report:</b>    | FIN.18.05 Q4 Operating Budget Variance Report                 |
| <b>Subject:</b>   | Fourth Quarter (Draft) Operating Variance Report              |

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### Recommendations:

**That** South Huron Council receives the report from S. Becker, Financial Services Manager/Treasurer re: Fourth Quarter (Draft) Operating Variances for information only.

### Purpose:

The purpose of this report is to update South Huron Council regarding the (draft) operating performance as of December 31, 2017.

### Background and Analysis:

The department managers are accountable to monitor their departmental revenues and expenditures and project to the end of the fiscal period to ensure that they remain within the approved budget.

The quarterly financial report represents the municipal financial activity for the period ending December 31, 2017 on a basis consistent with that of the budget adopted by Council.

Fourth quarter highlights are provided per department on the respective statements attached and are expressed as draft (unaudited) figures.

## **Operational Considerations:**

As this report is being presented for information purposes only, no alternatives are presented.

## **South Huron's Strategic Plan:**

The recommendation(s) included in this Staff Report support the following goals identified in the 2015-2019 Strategic Plan:

### Administrative Efficiency and Fiscal Responsibility

### Transparent, Accountable and Collaborative Governance

The quarterly variance reporting framework assists managers in identifying emerging issues along with steps or processes required to adjust activities to stay within the budget or to respond to those emerging issues.

The consistency of providing these accountability and information reports assist council in better understanding the operational and budgetary issues facing various costing centres.

## **Financial Impact:**

The figures expressed in this report are unaudited, and therefore, draft variances for the fiscal year ended December 31, 2017. Appendix A contains the operational variance analysis by department. As a result of year end procedures and audit processes there may be transactions between the date of this report and the release of the audited financial statements.

At this time it is expected that the levy based budgets will realize an overall tax surplus for the 2017 fiscal year, resulting in no adverse financial impacts. A final report will be forwarded to Council post-audit. The user fee based budgets reflect an operating surplus overall.

## **Legal Impact:**

There are no legal implications for the Corporation resulting from the proposed recommendation.

## **Staffing Impact:**

There are no staffing implications for the Corporation resulting from the proposed recommendation.

## **Policies/Legislation:**

Budget Development and Financial Reporting Policy & Procedure

## Reserves and Reserves Fund Policy & Procedure

### Consultation:

The following department managers provided an update on each of their respective areas of responsibility;

Dwayne McNab, Development Services Manager  
 Andrew Baird, Emergency Services Manager/Fire Chief  
 Jo-Anne Fields, Community Services Manager  
 Don Giberson, Environmental Services Director

### Related Documents:

Appendix A – Actual vs Budget Year to Date by Department for the year ended December 31, 2017

Respectfully submitted,

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**Sandy Becker, Financial Services Manager/Treasurer**

## Appendix A: Actual vs Budget Year to Date by Department

For the year ended December 31, 2017 – Unaudited Figures

### Building & Development Services

|                                    | Budget  | YTD Actual Cost | Variance Over/(Under) | YTD Percentage |
|------------------------------------|---------|-----------------|-----------------------|----------------|
|                                    |         |                 |                       |                |
| <b>Revenue:</b>                    |         |                 |                       |                |
| <b>Fines/Penalties<sup>1</sup></b> | 5,500   | 1,300           | (4,200)               | 23.64%         |
| <b>Other Revenue<sup>2</sup></b>   | 35,000  | 5,068           | (29,932)              | 14.48%         |
| <b>Permits/Licenses</b>            | 199,730 | 277,575         | 77,845                | 138.97%        |

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<sup>1</sup> Fines and penalties were lower than anticipated.

<sup>2</sup> Variable revenues are budgeted based on historical averages and depend on public requests. Includes rebilling for professional services which were not required and is offset by lower contracted services expenses.

|   |                  |                 |                 |                |
|---|------------------|-----------------|-----------------|----------------|
| <b>Transfer from Reserves<sup>3</sup></b> | 44,456           | 0               | (44,456)        | 0.00%          |
| <b>User Fees/Charges<sup>4</sup></b>      | 26,500           | 42,957          | 16,457          | 162.10%        |
| <b>Total Revenue</b>                      | <b>311,186</b>   | <b>326,900</b>  | <b>15,714</b>   | <b>105.05%</b> |
| <b>Expense:</b>                           |                  |                 |                 |                |
| <b>Contracted Services<sup>5</sup></b>    | 102,182          | 30,502          | (71,680)        | 29.85%         |
| <b>Materials<sup>6</sup></b>              | 75,691           | 29,775          | (45,915)        | 39.34%         |
| <b>Transfer to Reserves<sup>7</sup></b>   | 3,230            | 90,162          | 86,932          | 2,791.39%      |
| <b>Wages &amp; Benefits<sup>8</sup></b>   | 290,318          | 232,409         | (57,909)        | 80.05%         |
| <b>Total Expense</b>                      | <b>471,421</b>   | <b>382,849</b>  | <b>(88,572)</b> | <b>81.21%</b>  |
| <b>Net Total</b>                          | <b>(160,235)</b> | <b>(55,949)</b> | <b>104,286</b>  | <b>34.92%</b>  |

### Cemetery Services

|                                      | Budget | YTD Actual Cost | Variance Over/(Under) | YTD Percentage |
|--------------------------------------|--------|-----------------|-----------------------|----------------|
| <b>Revenue:</b>                      |        |                 |                       |                |
| <b>Cemetery</b>                      | 88,300 | 84,789          | (3,511)               | 96.02%         |
| <b>Donations/Fundraising</b>         | 350    | 1,195           | 845                   | 341.29%        |
| <b>Grant Revenues</b>                | 0      | 0               | 0                     | 0.00%          |
| <b>Investment Income<sup>9</sup></b> | 17,400 | 13,812          | (3,588)               | 79.38%         |

<sup>3</sup> No transfer was required for the building department as the user fees and other revenues sustained the associated expenses.

<sup>4</sup> Another variable revenue source that is driven by public demand and building demands.

<sup>5</sup> Contracted services are correlated with other revenues as rebills for professional services would be seen here. Fewer professional services were required in 2017.

<sup>6</sup> A software upgrade and recertification was delayed due to staffing changes and turnover. Moreover, training and conferences that were planned were not attended due to the staffing as well.

<sup>7</sup> The building department ended up with an operational surplus and this amount, as per legislation, must be transferred to reserve for future use if/when necessary.

<sup>8</sup> Staffing changes and turnover resulted in lower than anticipated wages and benefits.

<sup>9</sup> The variance in the investment income is correlated to the increase in interest rates. Cemetery investments include a bond portfolio and when interest rates rise the market value of bonds decrease in the short term. This is due to the fact that if the bond was sold before maturity it would be sold at a discount to compensate for the new bonds issued with higher rates of return. Since we hold the bonds until maturity the returns and principal are still guaranteed. It is important to note that

|  |  |                 |                 |                |               |
|--|--|-----------------|-----------------|----------------|---------------|
|  | <b>Total Revenue</b>                     | <b>106,050</b>  | <b>99,796</b>   | <b>(6,254)</b> | <b>94.10%</b> |
|  |  |                 |                 |                |               |
|  | <b>Expense:</b>                          |                 |                 |                |               |
|  | <b>Contracted Services</b>               | 4,839           | 4,623           | (216)          | 95.54%        |
|  | <b>Materials</b>                         | 49,495          | 42,640          | (6,855)        | 86.15%        |
|  | <b>Transfer to Reserves<sup>10</sup></b> | 10,080          | 7,126           | (2,954)        | 70.69%        |
|  | <b>Wages &amp; Benefits<sup>11</sup></b> | 83,101          | 85,573          | 2,472          | 102.97%       |
|  | <b>Total Expense</b>                     | <b>147,516</b>  | <b>139,962</b>  | <b>(7,553)</b> | <b>94.88%</b> |
|  | <b>Net Total</b>                         | <b>(41,466)</b> | <b>(40,166)</b> | <b>1,299</b>   | <b>96.87%</b> |

## Emergency Services

|  |   | <b>Budget</b> | <b>YTD<br/>Actual<br/>Cost</b> | <b>Variance<br/>Over/(Under)</b> | <b>YTD<br/>Percentage</b> |
|--|---|---------------|--------------------------------|----------------------------------|---------------------------|
|  |   |               |                                |                                  |                           |
|  | <b>Revenue:</b>                           |               |                                |                                  |                           |
|  | <b>Donations/Fundraising<sup>12</sup></b> | 22,700        | 12,169                         | (10,531)                         | 53.61%                    |
|  | <b>Grant Revenues<sup>13</sup></b>        | 25,000        | 34,120                         | 9,120                            | 136.48%                   |
|  | <b>Other Revenue<sup>14</sup></b>         | 4,000         | 7,845                          | 3,845                            | 196.13%                   |
|  | <b>User Fees/Charges<sup>15</sup></b>     | 18,941        | 43,422                         | 24,480                           | 229.24%                   |
|  | <b>Total Revenue</b>                      | <b>70,641</b> | <b>97,556</b>                  | <b>26,914</b>                    | <b>138.10%</b>            |
|  |   |               |                                |                                  |                           |
|  | <b>Expense:</b>                           |               |                                |                                  |                           |

Municipalities are governed by strict investment regulations and the bond funds are managed by OneFund (LAS) and include only highly rated companies from a pre-approved (legal) list.

<sup>10</sup> A portion of the transfer to reserves is a percentage of niche sales, year end reserve transfer yet to be finalized. The capital replacement reserve transfer was on par with the budget.

<sup>11</sup> Summer student was unable to finish season, therefore full time staffing resources were used.

<sup>12</sup> Donations are offset by a matching purchasing expense under materials. They are an estimate from the Fire Association and dependent on their fundraising outcomes during the year. Since donations are slightly less than expected materials follows suit.

<sup>13</sup> These are variable revenues from other municipalities as per the Fire Agreement and are dependent on number and location of emergency calls.

<sup>14</sup> This is the sale of the ladder truck for the 2016 replacement.

<sup>15</sup> Budgeted based on historical averages and are dependent on emergency calls.

|  |                  |                  |                 |               |
|--|------------------|------------------|-----------------|---------------|
| <b>Contracted Services<sup>16</sup></b>  | 100,860          | 79,289           | (21,571)        | 78.61%        |
| <b>Materials<sup>17</sup></b>            | 239,753          | 222,056          | (17,696)        | 92.62%        |
| <b>Transfer to Reserves</b>              | 169,686          | 172,417          | 2,731           | 101.61%       |
| <b>Wages &amp; Benefits<sup>18</sup></b> | 430,709          | 410,959          | (19,751)        | 95.41%        |
| <b>Total Expense</b>                     | <b>941,008</b>   | <b>884,720</b>   | <b>(56,288)</b> | <b>94.02%</b> |
| <b>Net Total</b>                         | <b>(870,366)</b> | <b>(787,165)</b> | <b>83,202</b>   | <b>90.44%</b> |

## General Administration

|  | <b>Budget</b>    | <b>YTD Actual Cost</b> | <b>Variance Over/(Under)</b> | <b>YTD Percentage</b> |
|--|------------------|------------------------|------------------------------|-----------------------|
| <b>Revenue:</b>                            |                  |                        |                              |                       |
| <b>Fines/Penalties</b>                     | 193,230          | 190,793                | (2,437)                      | 98.74%                |
| <b>Grant Revenues</b>                      | 1,373,013        | 1,371,392              | (1,621)                      | 99.88%                |
| <b>Investment Income<sup>19</sup></b>      | 70,000           | 107,456                | 37,456                       | 153.51%               |
| <b>Other Revenue<sup>20</sup></b>          | 2,500            | 14,900                 | 12,400                       | 595.99%               |
| <b>Permits/Licenses</b>                    | 12,200           | 9,156                  | (3,044)                      | 75.05%                |
| <b>Taxation Levy</b>                       | 8,010,330        | 8,077,779              | 67,449                       | 100.84%               |
| <b>Transfer from Reserves<sup>21</sup></b> | 120,767          | 53,641                 | (67,126)                     | 44.42%                |
| <b>User Fees/Charges</b>                   | 21,400           | 26,902                 | 5,502                        | 125.71%               |
| <b>Total Revenue</b>                       | <b>9,803,440</b> | <b>9,852,018</b>       | <b>48,578</b>                | <b>100.50%</b>        |

<sup>16</sup> The contracted services represent dispatch and snow removal. Snow removal costs appear less than anticipated due to the mild winter in early 2017.

<sup>17</sup> Materials is slightly less than expected due to reduced donations that offset this expense as some planned purchases are dependent on the Association's funding. A few other purchases had quotes that came in over budget and were postponed.

<sup>18</sup> Volunteer staffing costs are dependent on calls and responses and are based on historical averages. Slight variation from budget is expected.

<sup>19</sup> In 2017 the Bank of Canada increased rates twice. On average South Huron was earning approximately \$7,000 monthly up to \$15,000 for December. This increase is a combination of favourable interest rates as well as timing of cash outlays affecting average monthly balance.

<sup>20</sup> This includes a one time revenue from Scotiabank for the banking implementation in 2017.

<sup>21</sup> The reserve transfer was not required due to work being carried forward into 2018. The website RFP was completed in early 2018 and the brick work on Town Hall was tendered in 2018 due to no bids when it was tendered in 2017.

|  |                  |                  |                 |                |
|--|------------------|------------------|-----------------|----------------|
|  |                  |                  |                 |                |
| <b>Expense:</b>                          |                  |                  |                 |                |
| <b>Contracted Services</b>               | 1,997,274        | 1,983,993        | (13,281)        | 99.34%         |
| <b>External Transfers</b>                | 272,772          | 272,700          | (72)            | 99.97%         |
| <b>Grant Expenses</b>                    | 67,784           | 58,730           | (9,054)         | 86.64%         |
| <b>Materials<sup>22</sup></b>            | 317,840          | 240,280          | (77,559)        | 75.60%         |
| <b>Transfer to Reserves<sup>23</sup></b> | 51,287           | 97,556           | 46,269          | 190.22%        |
| <b>Wages &amp; Benefits<sup>24</sup></b> | 1,006,250        | 1,046,416        | 40,166          | 103.99%        |
| <b>Total Expense</b>                     | <b>3,713,206</b> | <b>3,699,675</b> | <b>(13,531)</b> | <b>99.64%</b>  |
| <b>Net Total</b>                         | <b>6,090,234</b> | <b>6,152,343</b> | <b>62,109</b>   | <b>101.02%</b> |

## Recreation and Cultural Services

|   | Budget         | YTD Actual Cost | Variance Over/(Under) | YTD Percentage |
|---|----------------|-----------------|-----------------------|----------------|
|   |                |                 |                       |                |
| <b>Revenue:</b>                           |                |                 |                       |                |
| <b>Donations/Fundraising<sup>25</sup></b> | 18,800         | 49,435          | 30,635                | 262.95%        |
| <b>Grant Revenues<sup>26</sup></b>        | 23,088         | 46,016          | 22,928                | 199.31%        |
| <b>Other Revenue<sup>27</sup></b>         | 10,378         | 25,707          | 15,329                | 247.71%        |
| <b>User Fees/Charges<sup>28</sup></b>     | 716,085        | 662,644         | (53,441)              | 92.54%         |
| <b>Total Revenue</b>                      | <b>768,351</b> | <b>783,802</b>  | <b>15,451</b>         | <b>102.01%</b> |
|   |                |                 |                       |                |
| <b>Expense:</b>                           |                |                 |                       |                |

<sup>22</sup> \$20,000 in brick pointing has been carried into 2018 along with the financial software purchase awaiting further detailed analysis to ensure effectiveness and efficiency.

<sup>23</sup> Transfers to reserve are in excess due to the carryforward projects identified above.

<sup>24</sup> Change in position allocation from Building/Planning to General Admin was not known at the time of the budget preparation.

<sup>25</sup> Increased advertising in the arenas has been successful. This line also includes donation from Healthy Kids (Huron County) for bottle filling stations. Approximately \$24,000 was raised for the rodeo in total.

<sup>26</sup> A \$40,000 contribution from the Municipality of Bluewater was received to offset prior year underfunding of the Dashwood Community Centre.

<sup>27</sup> A grant from Farm Credit Canada in the amount of \$10,000 was received for the Washrooms at McNaughton Park. The application was submitted by the Optimist club and is included in the transfer to reserve figure.

<sup>28</sup> User fee revenues are under budget related to reduction in hall rentals overall and ice rental rebates for minor sports programs approved after budget was adopted.

|  |                    |                    |                |                |
|--|--------------------|--------------------|----------------|----------------|
| <b>Contracted Services<sup>29</sup></b>  | 98,330             | 79,555             | (18,775)       | 80.91%         |
| <b>Debt - Interest Payments</b>          | 31,609             | 31,609             | 0              | 100.00%        |
| <b>Debt - Principal payments</b>         | 33,132             | 33,132             | (0)            | 100.00%        |
| <b>Grant Expenses</b>                    | 30,591             | 30,591             | 0              | 100.00%        |
| <b>Materials<sup>30</sup></b>            | 755,886            | 801,104            | 45,218         | 105.98%        |
| <b>Transfer to Reserves<sup>31</sup></b> | 104,204            | 127,168            | 22,964         | 122.04%        |
| <b>Wages &amp; Benefits</b>              | 986,092            | 953,698            | (32,394)       | 96.71%         |
| <b>Total Expense</b>                     | <b>2,039,844</b>   | <b>2,056,857</b>   | <b>17,013</b>  | <b>100.83%</b> |
| <b>Net Total</b>                         | <b>(1,271,493)</b> | <b>(1,273,055)</b> | <b>(1,562)</b> | <b>100.12%</b> |

## Transportation Services

|   | <b>Budget</b> | <b>YTD<br/>Actual<br/>Cost</b> | <b>Variance<br/>Over/(Under)</b> | <b>YTD<br/>Percentage</b> |
|---|---------------|--------------------------------|----------------------------------|---------------------------|
| <b>Revenue:</b>                         |               |                                |                                  |                           |
| <b>Grant Revenues<sup>32</sup></b>      | 41,777        | 38,592                         | (3,185)                          | 92.38%                    |
| <b>Other Revenue<sup>33</sup></b>       | 40,000        | 109,618                        | 69,618                           | 274.04%                   |
| <b>Permits/Licenses</b>                 | 0             | 600                            | 600                              | 0.00%                     |
| <b>User Fees/Charges</b>                | 14,476        | 14,476                         | 0                                | 100.00%                   |
| <b>Total Revenue</b>                    | <b>96,253</b> | <b>163,286</b>                 | <b>67,033</b>                    | <b>169.64%</b>            |
| <b>Expense:</b>                         |               |                                |                                  |                           |
| <b>Contracted Services<sup>34</sup></b> | 28,856        | 22,772                         | (6,084)                          | 78.92%                    |

<sup>29</sup> Staff completed some of the tasks initially budgeted for under contracted services and the costs are carried in wages/benefits and materials. Example: some plumbing and general facility maintenance at the SHRC.

<sup>30</sup> Utilities were higher than predicted due mainly to arenas as the ice was put in by mid-August with August and September being unusually warm months requiring the compressors to work overtime. Supplies and services contained IPM charges that were not initially included in the budget and two bottle filling stations that were offset by an increase in revenues for \$10,000 from Healthy Kids. This was in addition to the budget.

<sup>31</sup> Includes the \$10,000 FCC grant for the washrooms and the rodeo surplus for future use.

<sup>32</sup> These revenues total 50% of the grant expenses and are for the drainage superintendent.

<sup>33</sup> This represents rebills, public service requests, sale of tangible capital assets and additional revenues from Goshen Wind for road repairs and tree replacement. An offsetting reserve transfer for the sale of assets as well as tree replacement.

<sup>34</sup> Contracted services is slightly low due to the relatively mild winter of 2016/2017 and the bulk of the winter for 2017/2018 arrived mid-late December.



|  |                    |                    |                 |               |
|--|--------------------|--------------------|-----------------|---------------|
| <b>Debt - Interest Payments</b>          | 1,989              | 1,989              | 0               | 100.00%       |
| <b>Debt - Principal payments</b>         | 40,937             | 40,937             | 0               | 100.00%       |
| <b>Grant Expenses</b>                    | 83,555             | 77,185             | (6,370)         | 92.38%        |
| <b>Materials</b>                         | 1,205,581          | 1,146,294          | (59,287)        | 95.08%        |
| <b>Transfer to Reserves<sup>35</sup></b> | 690,497            | 776,541            | 86,044          | 112.46%       |
| <b>Wages &amp; Benefits</b>              | 912,003            | 844,648            | (67,355)        | 92.61%        |
| <b>Total Expense</b>                     | <b>2,963,418</b>   | <b>2,910,365</b>   | <b>(53,053)</b> | <b>98.21%</b> |
| <b>Net Total</b>                         | <b>(2,867,165)</b> | <b>(2,747,079)</b> | <b>120,086</b>  | <b>95.81%</b> |

## Sewer Services

|                                       | <b>Budget</b>    | <b>YTD Actual Cost</b> | <b>Variance Over/(Under)</b> | <b>YTD Percentage</b> |
|---------------------------------------|------------------|------------------------|------------------------------|-----------------------|
| <b>Revenue:</b>                       |                  |                        |                              |                       |
| <b>Fines/Penalties</b>                | 0                | 2,942                  | 2,942                        | >100%                 |
| <b>Other Revenue<sup>36</sup></b>     | 30,000           | 26,313                 | (3,687)                      | 87.71%                |
| <b>User Fees/Charges<sup>37</sup></b> | 1,963,518        | 1,814,991              | (148,527)                    | 92.44%                |
| <b>Total Revenue</b>                  | <b>1,993,518</b> | <b>1,844,246</b>       | <b>(149,272)</b>             | <b>92.51%</b>         |
| <b>Expense:</b>                       |                  |                        |                              |                       |
| <b>Contracted Services</b>            | 286,155          | 282,130                | (4,025)                      | 98.59%                |
| <b>Debt - Interest Payments</b>       | 419,675          | 403,018                | (16,657)                     | 96.03%                |
| <b>Debt - Principal payments</b>      | 322,291          | 303,848                | (18,443)                     | 94.28%                |

<sup>35</sup> As a result of lower than expected winter control costs in 2017 a surplus of \$43,209 was transferred to reserve for use in future per reserve policy.

<sup>36</sup> The items included in this budget line are all dependent on public service requests and prepared based on average historical collections. The amount has a high degree of volatility. Other revenue would include items such as frontage costs, rebills and service requests.

<sup>37</sup> The budget was prepared for user fees by calculating the consumption from the four previous quarters and quantified using the 2017 Council approved rates. Water/sewer consumption is variable and increasingly volatile for large scale users.

|  |                  |                               |                  |                 |
|--|------------------|-------------------------------|------------------|-----------------|
| <b>Materials<sup>38</sup></b>            | 287,606          | 357,831                       | 70,225           | 124.42%         |
| <b>Transfer to Reserves</b>              | 468,584          | 468,584                       | 0                | 100.00%         |
| <b>Wages &amp; Benefits<sup>39</sup></b> | 185,015          | 207,303                       | 22,289           | 112.05%         |
| <b>Total Expense</b>                     | <b>1,969,326</b> | <b>2,022,714</b>              | <b>53,389</b>    | <b>102.71%</b>  |
| <b>Net Total</b>                         | <b>24,192</b>    | <b>(178,468)<sup>40</sup></b> | <b>(202,661)</b> | <b>-737.70%</b> |

### Solid Waste Services (Landfill)

|  | Budget           | YTD Actual Cost  | Variance Over/(Under) | YTD Percentage |
|--|------------------|------------------|-----------------------|----------------|
| <b>Revenue:</b>                            |                  |                  |                       |                |
| <b>Other Revenue<sup>41</sup></b>          | 34,000           | 23,509           | (10,491)              | 69.14%         |
| <b>Transfer from Reserves<sup>42</sup></b> | 0                | 71,179           | 71,179                | >100.00%       |
| <b>User Fees/Charges</b>                   | 1,133,326        | 1,153,352        | 20,026                | 101.77%        |
| <b>Total Revenue</b>                       | <b>1,167,326</b> | <b>1,248,040</b> | <b>80,714</b>         | <b>106.91%</b> |
| <b>Expense:</b>                            |                  |                  |                       |                |
| <b>Contracted Services</b>                 | 557,781          | 556,553          | (1,229)               | 99.78%         |
| <b>Materials<sup>43</sup></b>              | 362,557          | 409,764          | 47,208                | 113.02%        |

<sup>38</sup> Utilities were greater than expected due to having to run two blowers at the pumping station. The aeration upgrades capital project will address the issue and is expected to have a positive impact on future utility costs. Repairs and maintenance was also over budget due to unforeseen pump repair costs.

<sup>39</sup> Water and Sewer departments share staffing resources and although sewer contains an unfavourable variance the water department contains an offsetting favourable variance.

<sup>40</sup> This is an unfunded deficit that will be addressed through the water/sewer rates study in 2018.

<sup>41</sup> Other revenues are generally figures that are volatile and based on historical averages.

<sup>42</sup> During operations in 2017 there were some unanticipated expenses, like the taxation structure (below). As a full cost recovered department there is a reserve in which surplus funds are added when available and drawn upon when necessary.

<sup>43</sup> This account includes a change in tax structure (MPAC) for landfill sites that occurred in 2017. At the time of the budget preparation there were no impact estimates available. There was a substantial increase in property taxes paid to the Municipality of Bluewater as a result. Additionally, vehicle expenses were high due to in-house completion of some of the landfill entrance roadwork.

|  |                  |                  |               |                |
|--|------------------|------------------|---------------|----------------|
| <b>Transfer to Reserves<sup>44</sup></b> | 124,063          | 107,286          | (16,777)      | 86.48%         |
| <b>Wages &amp; Benefits</b>              | 174,232          | 174,438          | 206           | 100.12%        |
| <b>Total Expense</b>                     | <b>1,218,632</b> | <b>1,248,040</b> | <b>29,408</b> | <b>102.41%</b> |
| <b>Net Total</b>                         | <b>(51,306)</b>  | <b>(0)</b>       | <b>51,306</b> | <b>0.00%</b>   |

## Streetlighting

|  | Budget         | YTD<br>Actual<br>Cost | Variance<br>Over/(Under) | YTD<br>Percentage |
|--|----------------|-----------------------|--------------------------|-------------------|
| <b>Revenue:</b>                            |                |                       |                          |                   |
| <b>General Revenue</b>                     | 161,579        | 161,188               | (391)                    | 99.76%            |
| <b>Transfer from Reserves<sup>45</sup></b> | 0              | 46,193                | 46,193                   | 0.00%             |
| <b>Total Revenue</b>                       | <b>161,579</b> | <b>207,382</b>        | <b>45,803</b>            | <b>128.35%</b>    |
| <b>Expense:</b>                            |                |                       |                          |                   |
| <b>Materials<sup>46</sup></b>              | 138,000        | 89,239                | (48,761)                 | 64.67%            |
| <b>Transfer to Reserves<sup>47</sup></b>   | 23,580         | 118,066               | 94,486                   | 500.70%           |
| <b>Wages &amp; Benefits<sup>48</sup></b>   | 0              | 77                    | 77                       | 0.00%             |
| <b>Total Expense</b>                       | <b>161,580</b> | <b>207,382</b>        | <b>45,801</b>            | <b>128.35%</b>    |

<sup>44</sup> The perpetual care transfer to reserve is based on tonnage during the year. This was lower than expected resulting in a lower reserve transfer required for perpetual care of the landfill.

<sup>45</sup> Transfer from reserve to balance streetlight. This transfer was funded from prior year operating surpluses with those funds restricted for use on streetlighting.

<sup>46</sup> The budget was prepared on historical data with limited information about the potential savings realized through the LED Conversion project. Future budgets will be more accurate as better information becomes available.

<sup>47</sup> There is an \$86,405 transfer to reserve for the repayment of the internal loan from the Transportation Capital Replacement Reserve. The internal loan payment was not initially included in the budget due to the ambiguity surrounding final costs and that it is an internal accounting entry between reserves. The remainder is area specific surpluses in operations transferred to the respective reserves for future use.

<sup>48</sup> Staff time for work completed on Exeter Streetlights. This was not a budgeted item and was not covered under the RealTerm Energy Contract.

|                  |            |          |          |              |
|------------------|------------|----------|----------|--------------|
| <b>Net Total</b> | <b>(1)</b> | <b>0</b> | <b>1</b> | <b>0.00%</b> |
|------------------|------------|----------|----------|--------------|

## Water Services

|  | <b>Budget</b>    | <b>YTD<br/>Actual<br/>Cost</b> | <b>Variance<br/>Over/(Under)</b> | <b>YTD<br/>Percentage</b> |
|--|------------------|--------------------------------|----------------------------------|---------------------------|
| <b>Revenue:</b>                                |                  |                                |                                  |                           |
| <b>Fines/Penalties<sup>49</sup></b>            | 18,000           | 16,701                         | (1,299)                          | 92.78%                    |
| <b>Other Revenue<sup>50</sup></b>              | 50,000           | 63,338                         | 13,338                           | 126.68%                   |
| <b>Transfer from<br/>Reserves<sup>51</sup></b> | 25,000           | 11,893                         | (13,107)                         | 47.57%                    |
| <b>User Fees/Charges</b>                       | 3,797,470        | 3,753,003                      | (44,468)                         | 98.83%                    |
| <b>Total Revenue</b>                           | <b>3,890,470</b> | <b>3,844,934</b>               | <b>(45,536)</b>                  | <b>98.83%</b>             |
| <b>Expense:</b>                                |                  |                                |                                  |                           |
| <b>Contracted Services<sup>52</sup></b>        | 88,500           | 44,922                         | (43,578)                         | 50.76%                    |
| <b>Debt - Interest<br/>Payments</b>            | 557,249          | 556,945                        | (304)                            | 99.95%                    |
| <b>Debt - Principal<br/>payments</b>           | 421,847          | 422,151                        | 304                              | 100.07%                   |
| <b>Materials<sup>53</sup></b>                  | 999,475          | 930,967                        | (68,509)                         | 93.15%                    |
| <b>Transfer to Reserves<sup>54</sup></b>       | 800,000          | 804,815                        | 4,815                            | 100.60%                   |
| <b>Wages &amp; Benefits<sup>55</sup></b>       | 545,045          | 527,736                        | (17,308)                         | 96.82%                    |
| <b>Total Expense</b>                           | <b>3,412,116</b> | <b>3,287,537</b>               | <b>(124,579)</b>                 | <b>96.35%</b>             |
| <b>Net Total</b>                               | <b>478,354</b>   | <b>557,397</b>                 | <b>79,043</b>                    | <b>116.52%</b>            |

<sup>49</sup> This figure is based on historical figures as well and is subject to volatility.

<sup>50</sup> This contains approximately \$30,000 in interest on general investments allocated to water services.

<sup>51</sup> The transfer is the amount of Development Charges actually collected for water services as per the DC study.

<sup>52</sup> A water/sewer rates study was included in the budget and has since been tendered in early 2018.

<sup>53</sup> Utilities were slightly lower than expected as well as repairs and maintenance.

<sup>54</sup> Operating carryforward amounts were transferred to reserve as per Resolution #508.

<sup>55</sup> Water and Sewer departments share staffing resources and although sewer contains an unfavourable variance the water department contains an offsetting favourable variance.

