



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Sandy Becker, Financial Services
Manager/Treasurer**
Date: April 16 2018
Report: FIN.18.08
Subject: 2018 First Quarter Operating Variance Report

Recommendations:

That South Huron Council receives the report from S. Becker, Financial Services Manager/Treasurer re: 2018 First Quarter Operating Variance Report for information only.

Purpose:

The purpose of this report is to update South Huron Council regarding the operating performance as of March 31, 2018.

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 March 31, 2018 on a basis consistent with that of the budget adopted by Council.

The first quarter reporting presents challenges as it is the slowest quarter. A straight line budget theory has been used to represent the budget year to date to give an idea of what three months of the budget looks like. It is calculated by evenly distributing the budget over the fiscal year. This theory fits certain line items better than others and is, therefore, merely a guide. The expectation is that the first quarter would see actual results around 25%

of the total budget, but this is subject to timing differences such as, annual membership payments, lump sum insurance payments, etc.

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 results of the first quarter operating variances do not suggest any adverse financial impacts.

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 – Q1 Operating Variances by Department

Respectfully submitted,

Sandy Becker, Financial Services Manager/Treasurer

Appendix A: Q1 Operating Variances by Department

For the quarter ended March 31, 2018

Building & Development Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	3,000	750	115	(2,886)	3.82%
Other Revenue ¹	30,000	7,500	0	(30,000)	0.00%
Permits/Licenses ²	206,500	51,625	40,702	(165,798)	19.71%
Transfer from Reserves ³	52,690	13,173	0	(52,690)	0.00%
User Fees/Charges	29,500	7,375	10,488	(19,012)	35.55%
Total Revenue	321,690	80,423	51,305	(270,385)	15.95%

¹ This is rebill revenues for external professional services (ex. legal, engineering) and is offset by an expense for the same amount. It is driven by public demand and fluctuates accordingly.

² This is made up of permits/licenses from the building budget as well as the animal control budget and is in line with expectation currently.

³ This figure is an annual transfer based on legislated building requirements.

Expense:					
Contracted Services	96,639	24,160	8,124	(88,515)	8.41%
Materials	82,259	20,565	8,993	(73,266)	10.93%
Transfer to Reserves	3,279	820	820	(2,459)	25.00%
Wages & Benefits	284,298	71,075	62,317	(221,981)	21.92%
Total Expense	466,475	116,619	80,253	(386,222)	17.20%
Net Total	(144,785)	(36,196)	(28,949)	115,836	19.99%

Revenues for Building and Development services appears to be low based on the straight line YTD analysis, however, permits issued after statement cutoff reflects revenues to be on target. The expenses are in line with expectation.

Cemetery Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Cemetery	90,000	22,500	18,390	(71,610)	20.43%
Donations/Fundraising	350	88	0	(350)	0.00%
Investment Income	17,400	4,350	4,065	(13,335)	23.36%
Total Revenue	107,750	26,938	22,455	(85,295)	20.84%
Expense:					
Contracted Services ⁴	4,850	1,213	4,202	(648)	86.64%
Materials	42,610	10,653	757	(41,853)	1.78%
Transfer to Reserves	10,179	2,545	1,670	(8,509)	16.40%
Wages & Benefits	82,935	20,734	8,948	(73,986)	10.79%
Total Expense	140,574	35,143	15,577	(124,997)	11.08%
Net Total	(32,824)	(8,206)	6,878	39,701	-20.95%

Cemetery services appear to be on target in both revenues and expenses.

⁴ This includes an annual maintenance renewal amount for software.

Emergency Services

		Budget	Budget YTD	YTD Actual Cost	Variance Over/ (Under)	YTD Percentage
	Revenue:					
	Donations/Fundraising	8,000	2,000	0	(8,000)	0.00%
	Grant Revenues	25,000	6,250	0	(25,000)	0.00%
	Other Revenue	5,000	1,250	0	(5,000)	0.00%
	User Fees/Charges	19,220	4,805	3,529	(15,691)	18.36%
	Total Revenue	57,220	14,305	3,529	(53,691)	6.17%
	Expense:					
	Contracted Services	103,198	25,800	25,931	(77,268)	25.13%
	Materials	221,540	55,385	39,270	(182,269)	17.73%
	Transfer to Reserves	172,231	43,058	43,058	(129,173)	25.00%
	Wages & Benefits	436,036	109,009	91,162	(344,874)	20.91%
	Total Expense	933,005	233,251	199,421	(733,584)	21.37%
	Net Total	(875,785)	(218,946)	(195,892)	679,893	22.37%

The revenues for Emergency Services are low at this time. Revenues from other municipalities are billed out in the second quarter. It is expected to normalize as operations continue. Alternatively the expenses appear to be on target with expectation for this time of the fiscal period.

General Administration

		Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
	Revenue:					
	Fines/Penalties	193,230	48,308	41,635	(151,595)	21.55%
	Grant Revenues	1,502,313	375,578	369,226	(1,133,087)	24.58%

Investment Income ⁵	70,000	17,500	43,455	(26,545)	62.08%
Other Revenue	2,500	625	780	(1,720)	31.20%
Permits/Licenses	12,200	3,050	1,502	(10,698)	12.31%
Taxation Levy ⁶	8,535,451	2,133,863	4,086,101	(4,449,350)	47.87%
Transfer from Reserves ⁷	163,767	40,942	0	(163,767)	0.00%
User Fees/Charges	21,400	5,350	4,023	(17,377)	18.80%
Total Revenue	10,500,861	2,625,215	4,546,724	(5,954,137)	43.30%
Expense:					
Contracted Services	2,096,318	524,080	512,335	(1,583,983)	24.44%
External Transfers ⁸	278,230	69,557	8,698	(269,532)	3.13%
Grant Expenses	55,426	13,857	12,175	(43,251)	21.97%
Materials	364,182	91,046	58,511	(305,671)	16.07%
Transfer to Reserves	52,313	13,078	12,391	(39,922)	23.69%
Wages & Benefits	1,066,121	266,530	238,829	(827,292)	22.40%
Total Expense	3,912,589	978,147	842,940	(3,069,650)	21.54%
Net Total	6,588,272	1,647,068	3,703,784	(2,884,488)	56.22%

General Administration has revenues that exceed the predicted budget to date using the straight line method where as the expenses appear within target. There are no concerns regarding the budgeted figures currently.

Recreation Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/ (Under)	YTD Percentage
Revenue:					

⁵ Interest rates have been increasing since late 2017 and have resulted in greater investment income.

⁶ Interim levy was billed for 2 of 4 installments and is based on 2017 taxes levied. The final levy is expected to make up the difference in the latter half of the year.

⁷ Reserve transfers are not completed on a straight line methodology as they occur periodically or at year end.

⁸ This represents only the first levy for the conservation authorities.

Donations/ Fundraising	37,600	9,400	0	(37,600)	0.00%
Grant Revenues	20,621	5,155	0	(20,621)	0.00%
Other Revenue	10,700	2,675	1,432	(9,268)	13.39%
User Fees/Charges ⁹	671,762	167,941	138,071	(533,691)	20.55%
Total Revenue	740,683	185,171	139,503	(601,180)	18.83%
Expense:					
Contracted Services	143,720	35,930	31,692	(112,028)	22.05%
Debt - Interest Payments ¹⁰	30,257	7,564	0	(30,257)	0.00%
Debt - Principal payments	34,484	8,621	0	(34,484)	0.00%
Grant Expenses	33,091	8,273	0	(33,091)	0.00%
Materials	770,400	192,600	155,754	(614,646)	20.22%
Transfer to Reserves	133,173	33,293	33,293	(99,880)	25.00%
Wages & Benefits	973,659	243,415	183,551	(790,108)	18.85%
Total Expense	2,118,784	529,696	404,290	(1,714,494)	19.08%
Net Total	(1,378,101)	(344,525)	(264,787)	1,113,314	19.21%

Recreation services tends to be a seasonally driven department. Revenues appear low, however, this is expected to increase as the seasonal programs commence. Expenses appear to be on target.

Sewer Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	0	0	912	912	0.00%
General Revenue	261,770	65,443	130,589	(131,181)	49.89%
Other Revenue	30,000	7,500	0	(30,000)	0.00%

⁹ Predominantly ice program revenues.

¹⁰ The debt payment entries are semi-annual.

User Fees/Charges ¹¹	1,723,320	430,830	218,368	(1,504,952)	12.67%
Total Revenue	2,015,090	503,773	349,869	(1,665,221)	17.36%
Expense:					
Contracted Services	297,910	74,478	9,440	(288,470)	3.17%
Debt - Interest Payments	409,851	102,463	94,915	(314,936)	23.16%
Debt - Principal payments	337,008	84,252	111,084	(225,924)	32.96%
Materials	280,915	70,229	62,596	(218,319)	22.28%
Transfer to Reserves	475,613	118,903	118,903	(356,710)	25.00%
Wages & Benefits	215,070	53,768	47,228	(167,842)	21.96%
Total Expense	2,016,367	504,092	444,167	(1,572,200)	22.03%
Net Total	(1,277)	(319)	(94,298)	(93,020)	

The revenues for water and sewer services appear slightly low due to the exclusion of the Stephen levy as a result of billing cycle dates. Expenses appear to be within target.

Solid Waste Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Other Revenue	33,500	8,375	8,388	(25,112)	25.04%
Transfer from Reserves	45,749	11,437	0	(45,749)	0.00%
User Fees/Charges	1,153,199	288,300	135,733	(1,017,466)	11.77%
Total Revenue	1,232,448	308,112	144,121	(1,088,327)	11.69%
Expense:					
Contracted Services	873,526	218,382	228,534	(644,993)	26.16%
Materials	56,586	14,147	16,237	(40,349)	28.69%
Transfer to Reserves	124,297	31,074	4,824	(119,473)	3.88%
Wages & Benefits	178,136	44,534	31,370	(146,765)	17.61%

¹¹ The user fees do not include the Q1 levy for Stephen Township properties as the reads typically occur on or around March 31 and the levy is generated early April.

Total Expense	1,232,545	308,136	280,965	(951,580)	22.80%
Net Total	(97)	(24)	(136,844)	(136,747)	

Revenues and expenses appear to be in line with budgeted figures for 2018.

Streetlighting

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
General Revenue ¹²	123,519	30,880	161,289	37,770	130.58%
Total Revenue	123,519	30,880	161,289	37,770	130.58%
Expense:					
Materials	100,400	25,100	16,064	(84,336)	16.00%
Transfer to Reserves	23,119	5,780	5,780	(17,339)	25.00%
Total Expense	123,519	30,880	21,843	(101,676)	17.68%
Net Total	0	0	139,445	139,445	0.00%

Revenues for streetlighting are expected to normalize with the final billing. Expenses are currently within target.

Transportation Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Grant Revenues ¹³	92,613	23,153	0	(92,613)	0.00%
Other Revenue ¹⁴	88,220	22,055	1,300	(86,920)	1.47%

¹² The interim levy for streetlighting is billed based on 50% of the final levy from the previous fiscal period. In 2017 there were two capital projects weighing on the rate, whereas in 2018 there is no capital levy requirements. Therefore, it will normalize with the final levy.

¹³ These grants are related to drainage works which are received based on drainage billings (grant expenses). This is expected to increase.

¹⁴ Other revenue includes items such as rebilling for boundary road work which are seasonal in nature. Funds from transmission line agreement received in April.

Transfer from Reserves	20,000	5,000	0	(20,000)	0.00%
User Fees/Charges	14,476	3,619	0	(14,476)	0.00%
Total Revenue	215,309	53,827	1,300	(214,009)	0.60%
Expense:					
Contracted Services	185,778	46,444	26,137	(159,641)	14.07%
Debt - Interest Payments ¹⁵	1,006	252	0	(1,006)	0.00%
Debt - Principal payments	41,919	10,480	0	(41,919)	0.00%
Grant Expenses	85,226	21,307	0	(85,226)	0.00%
Materials	1,250,491	312,623	182,499	(1,067,992)	14.59%
Transfer to Reserves	700,854	175,214	175,214	(525,640)	25.00%
Wages & Benefits ¹⁶	924,319	231,080	273,401	(650,918)	29.58%
Total Expense	3,189,594	797,399	657,250	(2,532,344)	20.61%
Net Total	(2,974,285)	(743,571)	(655,950)	2,318,335	22.05%

Water Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	18,000	4,500	5,346	(12,654)	29.70%
General Revenue	134,828	33,707	67,273	(67,555)	49.90%
Other Revenue	50,000	12,500	13,614	(36,386)	27.23%
Transfer from Reserves	10,900	2,725	0	(10,900)	0.00%

¹⁵ These entries are not processed quarterly.

¹⁶ The wages & benefits include winter control and the 2017/18 winter has been heavier than the few years prior. There is a reserve setup for winter control for the purposes of accumulating any surpluses in less strenuous fiscal periods for use in more difficult winters. Therefore, no adverse financial impact is expected overall.

User Fees/Charges ¹⁷	3,628,419	907,105	230,987	(3,397,432)	6.37%
Total Revenue	3,842,147	960,537	317,219	(3,524,927)	8.26%
Expense:					
Contracted Services	148,500	37,125	18,294	(130,206)	12.32%
Debt - Interest Payments ¹⁸	536,734	134,184	26	(536,708)	0.00%
Debt - Principal payments	384,115	96,029	4,828	(379,287)	1.26%
Materials	1,056,609	264,152	105,170	(951,439)	9.95%
Transfer to Reserves	816,000	204,000	204,000	(612,000)	25.00%
Wages & Benefits	528,264	132,066	108,635	(419,629)	20.56%
Total Expense	3,470,222	867,555	440,954	(3,029,268)	12.71%
Net Total	371,925	92,981	(123,735)	(495,659)	-33.27%

The revenues for water and sewer services appear slightly low due to the exclusion of the Stephen levy as a result of billing cycle dates. Expenses appear to be within target.

¹⁷ This does not include the Q1 billing for Stephen Township as the read dates are on or around March 31 and the levy is generated early April.

¹⁸ Debt entires are not processed quarterly.