



## Staff Report

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**Report To:** Dan Best, Chief Administrative Officer  
**From:** **Sandy Becker, Director of Financial Services**  
**Date:** October 15 2018  
**Report:** FIN.18.20  
**Subject:** 2018 Third Quarter Operating Variance Report

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### **Recommendations:**

**That** South Huron Council receive the report from S. Becker, Director of Financial Services re: 2018 Third 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 September 30, 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 September 30, 2018 on a basis consistent with that of the budget adopted by Council.

The third quarter report includes 75% of the fiscal operating year. A straight line budget theory has been used to represent the budget year to date to give an idea of what nine 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 third quarter would see actual results around 75% 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 third 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  
 Jo-Anne Fields, Community Services Manager  
 Don Giberson, Environmental Services Director

## Related Documents:

Appendix A – Q3 Operating Variances by Department

Prepared by,

**Angela Shipway, Financial Services Supervisor**

Respectfully submitted,

**Sandy Becker, Director of Financial Services**

## Appendix A – Q3 Operating Variances by Department

### Building & Development Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	% of Budget Utilized
<b>Revenue:</b>					
Fines/Penalties <sup>1</sup>	3,000	2,250	406	(2,594)	13.54%
Other Revenue <sup>2</sup>	30,000	22,500	2,987	(27,013)	9.96%
Permits/Licenses	206,500	154,875	299,574	93,074	145.07%
Transfer from Reserves <sup>3</sup>	52,690	39,518	-	(52,690)	0.00%

<sup>1</sup> Fines/Penalties lower than anticipated.

<sup>2</sup> Other revenue includes rebill revenues for professional services. As mentioned below, these services are based on public demand.

<sup>3</sup> This is an annual transfer that will be completed upon year end.

User Fees/Charges	29,500	22,125	28,261	(1,239)	95.80%
<b>Total Revenue</b>	<b>321,690</b>	<b>241,268</b>	<b>331,228</b>	<b>(5,462)</b>	<b>102.97%</b>
<b>Expense:</b>					
Contracted Services <sup>4</sup>	96,639	72,479	19,255	(77,384)	19.92%
Materials	82,259	61,694	30,343	(51,916)	36.89%
Transfer to Reserves	3,279	2,459	2,459	(820)	74.99%
Wages & Benefits	284,298	213,224	195,409	(88,890)	68.73%
<b>Total Expenses</b>	<b>466,475</b>	<b>349,856</b>	<b>247,465</b>	<b>(219,010)</b>	<b>53.05%</b>
<b>Net Total</b>	<b>(144,785)</b>	<b>(108,589)</b>	<b>83,763</b>	<b>228,548</b>	

The Building and Planning departments have seen greater than anticipated activity, and thus, revenues. With expenses in line with budget and a favourable revenue variance, building and development services is expected to finish favourably overall. It is important to note that the variance report is run on a specific date and includes any and all transactions posted up to that date.

### Cemetery Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	% of Budget Utilized
<b>Revenue:</b>					
<b>Cemetery</b>	90,000	67,500	66,791	(23,209)	74.21%
<b>Donations/Fundraising</b>	350	263	73	(277)	20.79%
<b>Investment Income<sup>5</sup></b>	17,400	13,050	16,029	(1,371)	92.12%
<b>Other Revenue<sup>6</sup></b>	0	0	2,065	2,065	0.00%
<b>Total Revenue</b>	<b>107,750</b>	<b>80,813</b>	<b>84,959</b>	<b>(22,791)</b>	<b>78.85%</b>
<b>Expense:</b>					
<b>Contracted Services<sup>7</sup></b>	4,850	3,638	4,324	(526)	89.16%

<sup>4</sup> These include professional fees and are based on demand from the public.

<sup>5</sup> Rising interest rates and a slight change in investment strategy has assisted in a favourable return.

<sup>6</sup> This includes an HST recovery.

<sup>7</sup> Most of these services are IT related and are paid annually.

<b>Materials</b>	42,610	31,958	31,200	(11,410)	73.22%
<b>Transfer to Reserves</b>	10,179	7,634	6,455	(3,724)	63.42%
<b>Wages &amp; Benefits<sup>8</sup></b>	82,935	62,201	81,422	(1,513)	98.18%
<b>Total Expense</b>	<b>140,574</b>	<b>105,430</b>	<b>123,401</b>	<b>(17,172)</b>	<b>87.78%</b>
<b>Net Total</b>	<b>(32,824)</b>	<b>(24,618)</b>	<b>(38,442)</b>	<b>(5,619)</b>	

The expenses for the Cemetery appear slightly high when using the 75% benchmark for Q3. This is due to the seasonal nature of Cemetery Operations. It is anticipated that the Cemetery will end up in a favourable position at year-end.

### Emergency Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
<b>Revenue:</b>					
Donations/Fundraising	8,000	6,000	4,762	(3,238)	59.53%
Grant Revenues <sup>9</sup>	25,000	18,750	32,703	7,703	130.81%
Other Revenue	5,000	3,750	1,345	(3,655)	26.90%
User Fees/Charges <sup>10</sup>	19,220	14,415	24,664	5,444	128.32%
<b>Total Revenue</b>	<b>57,220</b>	<b>42,915</b>	<b>63,474</b>	<b>6,254</b>	<b>110.93%</b>
<b>Expense:</b>					
Contracted Services	103,198	77,399	65,395	(37,804)	63.37%
Materials <sup>11</sup>	221,540	166,155	186,434	(35,106)	84.15%
Transfer to Reserves	172,231	129,173	129,173	(43,058)	75.00%
Wages & Benefits	436,036	327,027	305,308	(130,728)	70.02%
<b>Total Expense</b>	<b>933,005</b>	<b>699,754</b>	<b>686,309</b>	<b>(246,696)</b>	<b>73.56%</b>
<b>Net Total</b>	<b>(875,785)</b>	<b>(656,839)</b>	<b>(622,835)</b>	<b>252,950</b>	

The revenues have significantly increased since the second quarter report as a result of public demand for fire services. Expenses for fire services are reasonably within budget.

<sup>8</sup> The bulk of the wages/benefits are expected in the warmer months due to the seasonal nature of the program.

<sup>9</sup> Grant revenues are based on variable factors within Fire Agreements.

<sup>10</sup> User fees recovered from the Q2 report due to the increase in fire calls for department support, non-resident collisions, unauthorized burns etc.

<sup>11</sup> Includes an annual premium for insurance.

## General Administration

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	% of Budget Spent
<b>Revenue:</b>					
Fines/Penalties	193,230	144,923	126,332	(66,898)	65.38%
Grant Revenues	1,502,313	1,126,735	1,115,803	(386,510)	74.27%
Investment Income <sup>12</sup>	70,000	52,500	184,355	114,355	263.36%
Other Revenue	2,500	1,875	2,769	269	110.77%
Permits/Licenses	12,200	9,150	8,959	(3,241)	73.43%
Taxation Levy <sup>13</sup>	8,535,451	6,401,588	8,617,770	82,319	100.96%
Transfer from Reserves <sup>14</sup>	163,767	122,825	-	(163,767)	0.00%
User Fees/Charges	21,400	16,050	21,062	(338)	98.42%
<b>Total Revenue</b>	<b>10,500,861</b>	<b>7,875,646</b>	<b>10,077,050</b>	<b>(423,811)</b>	<b>95.96%</b>
<b>Expense:</b>					
Contracted Services	2,096,318	1,572,239	1,539,808	(556,510)	73.45%
External Transfers	278,230	208,672	130,674	(147,556)	46.97%
Grant Expenses	55,426	41,570	40,408	(15,018)	72.90%
Materials	364,182	273,137	205,431	(158,751)	56.41%
Transfer to Reserves	52,313	39,235	36,174	(16,139)	69.15%
Wages & Benefits	1,066,121	799,591	789,555	(276,566)	74.06%
<b>Total Expense</b>	<b>3,912,589</b>	<b>2,934,442</b>	<b>2,742,050</b>	<b>(1,170,539)</b>	<b>70.08%</b>
<b>Net Total</b>	<b>6,588,272</b>	<b>4,941,204</b>	<b>7,335,000</b>	<b>746,728</b>	

<sup>12</sup> Finance reviewed the investment strategy including an analysis of cash flow requirements which allowed investment of general funds at a higher interest rate. Slight increase in interest rates have also contributed to the increase in investment income for 2018.

<sup>13</sup> Final tax bills have been issued/posted for the remainder of the fiscal year.

<sup>14</sup> Annual transfer at year-end.

Revenues for General Administration are higher than expected due mainly to the increase in investment income . Expenses are in line with budget for this part of the fiscal year.

## Recreation Services

		Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	% of Budget Spent
<b>Revenue:</b>						
	Donations/Fundraising <sup>15</sup>	37,600	28,200	24,405	(13,195)	64.91%
	Grant Revenues <sup>16</sup>	20,621	15,466	-	(20,621)	0.00%
	Other Revenue	10,700	8,025	6,706	(3,994)	62.67%
	User Fees/Charges	671,762	503,822	460,984	(210,778)	68.62%
	<b>Total Revenue</b>	<b>740,683</b>	<b>555,512</b>	<b>492,095</b>	<b>(248,588)</b>	<b>66.44%</b>
<b>Expense:</b>						
	Contracted Services <sup>17</sup>	143,720	107,790	72,100	(71,620)	50.17%
	Debt - Interest Payments	30,257	22,693	15,301	(14,956)	50.57%
	Debt - Principal <sup>18</sup> Payments	34,484	25,863	17,069	(17,415)	49.50%
	Grant Expenses	33,091	24,818	33,091	-	100.00%
	Materials	770,400	577,800	578,499	(191,901)	75.09%
	Transfer to Reserves	133,173	99,880	99,879	(33,294)	75.00%
	Wages & Benefits	973,659	730,244	706,985	(266,674)	72.61%
	<b>Total Expense</b>	<b>2,118,784</b>	<b>1,589,088</b>	<b>1,522,925</b>	<b>(595,859)</b>	<b>71.88%</b>
	<b>Net Total</b>	<b>(1,378,101)</b>	<b>(1,033,576)</b>	<b>(1,030,831)</b>	<b>347,271</b>	

<sup>15</sup> Donations are largely collected for advertising in the arena on the boards and ice resurfacers. This is seasonal and has not yet been collected.

<sup>16</sup> This includes the Bluewater share for the Dashwood Community Centre which has not yet been received.

<sup>17</sup> Slightly low as this figure contains a Recreation Master Plan which has not yet been completed.

<sup>18</sup> Debt principal and interest were not posted prior to generating this variance report. Anticipated to be within budget.

Revenues are slightly low for Recreation, however, seasonal values for ice rentals impact the overall revenues. It is anticipated that these values will increase. Expenses are within a reasonable range for the third quarter.

### Sewer Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
<b>Revenue:</b>					
<b>Fines/Penalties</b>	0	0	2,949	2,949	0.00%
<b>General Revenue</b>	261,770	196,328	261,178	(592)	99.77%
<b>Other Revenue<sup>19</sup></b>	30,000	22,500	17,295	(12,705)	57.65%
<b>User Fees/Charges<sup>20</sup></b>	1,723,320	1,292,490	1,055,162	(668,158)	61.23%
<b>Total Revenue</b>	<b>2,015,090</b>	<b>1,511,318</b>	<b>1,336,584</b>	<b>(678,506)</b>	<b>66.33%</b>
<b>Expense:</b>					
<b>Contracted Services<sup>21</sup></b>	297,910	223,433	254,813	(43,097)	85.53%
<b>Debt - Interest Payments</b>	409,851	307,388	327,025	(82,826)	79.79%
<b>Debt - Principal payments</b>	337,008	252,756	315,703	(21,305)	93.68%
<b>Materials</b>	280,915	210,686	220,708	(60,207)	78.57%
<b>Transfer to Reserves</b>	475,613	356,710	356,710	(118,903)	75.00%
<b>Wages &amp; Benefits</b>	215,070	161,303	150,254	(64,817)	69.86%
<b>Total Expense</b>	<b>2,016,367</b>	<b>1,512,276</b>	<b>1,625,212</b>	<b>(391,155)</b>	<b>80.60%</b>
<b>Net Total</b>	<b>(1,277)</b>	<b>(958)</b>	<b>(288,628)</b>	<b>(287,350)</b>	

The revenues appear slightly low due to timing differences between billing and reporting cycles as well as revenues based on public demand for services. The expenses are slightly higher than anticipated at this point due to unexpected costs associated with the Sewage Lagoon and the increased capital replacement contribution for the Grand Bend Sewage Treatment Plant.

<sup>19</sup> This is rebill revenues and are volatile based on public demands for services.

<sup>20</sup> This includes Stephen's third quarter levy, but not Exeter due to the timing difference in the billing and reporting cycles.

<sup>21</sup> This includes an unbudgeted amount for capital replacement for the Grand Bend Sewage Treatment Plant, approved by Council (Motion #12-2018) post-budget.

## Solid Waste Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
<b>Revenue:</b>					
Other Revenue	33,500	25,125	17,510	(15,990)	52.27%
Transfer from Reserves	45,749	34,312	0	(45,749)	0.00%
User Fees/Charges <sup>22</sup>	1,153,199	864,899	776,058	(377,141)	67.30%
<b>Total Revenue</b>	<b>1,232,448</b>	<b>924,336</b>	<b>793,568</b>	<b>(438,879)</b>	<b>64.39%</b>
<b>Expense:</b>					
Contracted Services	873,526	655,145	665,905	(207,621)	76.23%
Materials <sup>23</sup>	56,586	42,440	55,515	(1,071)	98.11%
Transfer to Reserves	124,297	93,223	14,473	(109,824)	11.64%
Wages & Benefits	178,136	133,602	106,328	(71,808)	59.69%
<b>Total Expense</b>	<b>1,232,545</b>	<b>924,409</b>	<b>842,221</b>	<b>(390,324)</b>	<b>68.33%</b>
<b>Net Total</b>	<b>(97)</b>	<b>(73)</b>	<b>(48,652)</b>	<b>(48,555)</b>	

Landfill revenues are slightly low which can be a result of the Exeter third quarter levy not being included due to timing differences between billing and reporting cycles. The expenses are, similarly, slightly lower than anticipated.

## Streetlighting

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
<b>Revenue:</b>					
General Revenue <sup>24</sup>	123,519	92,639	124,138	619	100.50%
Other Revenue	0	0	951	951	0.00%
<b>Total Revenue</b>	<b>123,519</b>	<b>92,639</b>	<b>125,089</b>	<b>1,570</b>	<b>101.27%</b>

<sup>22</sup> Includes Stephen's third quarter levy, but not Exeter due to timing differences between reporting and billing cycles.

<sup>23</sup> This includes an amount paid to the Municipality of Bluewater for the Landfill site property taxes. As a result of the 2016 assessment the land values have increased substantially.

<sup>24</sup> These are the special area rates that have been billed with the Final Tax Bills of 2018.

<b>Expense:</b>						
Materials	100,400	75,300	57,429	(42,971)	57.20%	
Transfer to Reserves	23,119	17,339	17,339	(5,780)	75.00%	
<b>Total Expense</b>	<b>123,519</b>	<b>92,639</b>	<b>74,768</b>	<b>(48,751)</b>	<b>60.53%</b>	
<b>Net Total</b>	<b>0</b>	<b>0</b>	<b>50,321</b>	<b>50,321</b>	<b>0.00%</b>	

Streetlighting is anticipated to be within budget.

### Transportation Services

		Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	% of Budget Spent
<b>Revenue:</b>						
Grant Revenues <sup>25</sup>		92,613	69,460	-	(92,613)	0.00%
Other Revenue		88,220	66,165	51,780	(36,440)	58.69%
Transfer from Reserves <sup>26</sup>		20,000	15,000	-	(20,000)	0.00%
User Fees/Charges		14,476	10,857	14,476	-	100.00%
<b>Total Revenue</b>		<b>215,309</b>	<b>161,482</b>	<b>66,256</b>	<b>(149,053)</b>	<b>30.77%</b>
<b>Revenue:</b>						
Contracted Services <sup>27</sup>		185,778	139,333	38,142	(147,636)	20.53%
Debt Payments - Interest		1,006	755	1,006	-	100.00%
Debt Payments - Principal		41,919	31,440	41,919	-	100.00%
Grant Expenses		85,226	63,920	31,535	(53,691)	37.00%
Materials		1,250,491	937,868	902,227	(348,264)	72.15%

<sup>25</sup> Grant Revenues include FCM for asset management program and Municipal Drain grant which have not yet been received.

<sup>26</sup> Annual reserve transfer completed at year end.

<sup>27</sup> Slightly low due to the timing of the asset management program. RFP is out for data gap fulfillment so this is anticipated to increase.

Transfer to Reserves	700,854	525,641	525,641	(175,213)	75.00%
Wages & Benefits	924,319	693,239	718,304	(206,015)	77.71%
<b>Total Expense</b>	<b>3,189,594</b>	<b>2,392,196</b>	<b>2,258,775</b>	<b>(930,819)</b>	<b>70.82%</b>
<b>Net Total</b>	<b>(2,974,285)</b>	<b>(2,230,714)</b>	<b>(2,192,520)</b>	<b>781,766</b>	

The expenses for Transportation appear to be in line with budget for this time of the year. Certain line items are low to compensate for greater operational demand in other areas.

### Water Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
<b>Revenue:</b>					
Fines/Penalties	18,000	13,500	15,941	(2,059)	88.56%
General Revenue	134,828	101,121	134,546	(282)	99.79%
Other Revenue	50,000	37,500	38,464	(11,536)	76.93%
Transfer from Reserves	10,900	8,175	0	(10,900)	0.00%
User Fees/Charges <sup>28</sup>	3,628,419	2,721,314	2,045,432	(1,582,987)	56.37%
<b>Total Revenue</b>	<b>3,842,147</b>	<b>2,881,610</b>	<b>2,234,383</b>	<b>(1,607,764)</b>	<b>58.15%</b>
<b>Expense:</b>					
Contracted Services <sup>29</sup>	148,500	111,375	37,205	(111,295)	25.05%
Debt - Interest Payments	536,734	402,551	270,725	(266,009)	50.44%
Debt - Principal payments	384,115	288,086	194,554	(189,561)	50.65%
Materials	1,056,609	792,457	688,614	(367,995)	65.17%
Transfer to Reserves	816,000	612,000	612,000	(204,000)	75.00%
Wages & Benefits	528,264	396,198	399,631	(128,633)	75.65%
<b>Total Expense</b>	<b>3,470,222</b>	<b>2,602,666</b>	<b>2,202,728</b>	<b>(1,267,493)</b>	<b>63.48%</b>
<b>Net Total</b>	<b>371,925</b>	<b>278,944</b>	<b>31,655</b>	<b>(340,270)</b>	

<sup>28</sup> User fee revenues are low due to timing of Exeter utility billing.

<sup>29</sup> This includes the Water/Sewer Rates Study which is currently wrapping up so this is expected to increase with invoices received. Additionally, an amount for asset management was included here and an RFP is out for those services.

Water revenues appear slightly low due to the timing differences in billing and reporting cycles. Exeter third quarter billing is not included here. All other revenues are on or above target. Expenses are all within budget as well.