



## Staff Report

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**Report To:** Dan Best, Chief Administrative Officer  
**From:** **Sandy Becker, Director of Financial Services**  
**Date:** August 10 2020  
**Report:** FIN.20.16  
**Subject:** 2020 Second Quarter Operating Variance Report

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### **Recommendations:**

**That** South Huron Council receives the report from S.Becker Director of Financial Services/Treasurer re: 2020 Second Quarter Operating Variance Report for information.

### **Purpose:**

For Information.

### **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 June 30, 2020 on a basis consistent with that of the budget adopted by Council.

A straight line budget theory has been used to represent the budget year to date. The expectation is that the second quarter would realize actual costs around 50% of the total budget, however this is subject to timing differences such as annual membership payments, quarterly billing cycles and seasonal activities of various services.

### COVID-19 Implications

Due to the COVID-19 pandemic, there will be some financial pressures on the 2020 operating budget. Additional operating expenses being incurred as a direct result of COVID 19 are being tracked on an ongoing basis.

In response to the fiscal difficulties brought by the pandemic, the municipality implemented several measures including; closure of facilities, service delivery changes (such as reduced landfill hours, closing of town hall), cancelled recreational programs, modified working environment for employees, additional personal protective supplies, increased technology solutions for digital workforce, increased public communication, redirected resources, halted seasonal hirings related to closed programs, School board tax payment deferral, waiving of penalty for utility and tax accounts, implementation of enhanced virtual payment options and virtual public meetings.

Some of these measures will assist in mitigating an overall operating deficit, while other measures will realize additional expenses for the 2020 fiscal year.

Below is a preliminary breakdown of some of the operating impacts associated with the implementation of the above measures;

### Revenues

- Investment income – loss of investment income is approximately \$110,000 due to the Bank of Canada decreasing interest rates. This is net of the projected increase realized from deferring the school board tax payments.
- Penalty revenues – Projected loss of \$99,000 with the waiver of penalty until September 30 on property taxes and utility accounts
- Recreation fees – To date we have refunded \$4,500 in recreation fees and will realize approximately \$140,000 in lost revenue due to facility closures, program cancellations (this will be offset by reduced expenses)
- Taxation and Utility revenues – at this time we have not experienced a drop in payments received. This may however change dependent on the pace of the economic recovery.
- User fee budget – service installations were deferred due to COVID-19. Will not likely recover full budgeted amount of \$55,000.

### Expenses

- Materials & Supplies - at the time of this report we have incurred approximately \$24,000 additional costs directly related to additional personal protective equipment, information technology solutions for a digital workforce and communication costs. It is anticipated that there

will be reduced operating expenses related to facility closures and program cancellations, however the exact savings amount is unknown at this time, and will be dependent on what re-opening looks like in the 3<sup>rd</sup> quarter. Such as what programs, facilities we are able to re-open and what extra supplies and/or cleaning requirements may be needed.

- Staffing costs – it is estimated that some savings will be realized due to the halting of seasonal hirings, however we may realize some additional staffing costs for extra cleaning requirements as noted above. It should be noted that a significant amount of staff resources were redirected to COVID-19 related activities during this period of time. We may realize some savings related to training costs due to either the cancellation of training events and/or virtual training programs which will realize reduced travel costs. Full impact unknown at this time.
- Utility costs – at the time of this report we have not realized any reduction in costs. The third quarter may reflect some savings due to facility closures.

## **Operational Considerations:**

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

## **Financial Impact:**

The revenue and expense projections noted under the COVID implications above are early projections and the final financial impacts will not be fully known until municipal programming and services return to normal (or a new form of normal).

It is estimated that the uncertainty associated with this unprecedented pandemic will have a financial impact, however, the full impact is unknown as the impacts of COVID-19 continue to unfold. Department managers will continue to make internal adjustments in-year and the management team will carefully monitor the overall impact to the 2020 approved budget.

## **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.

**Communication Actions:**

There are no communication actions for the Corporation resulting from the proposed recommendation.

**Policies/Legislation:**

By-Law 94-2019 Adopt 2020 Budget

**Consultation:**

Don Giberson, Director of Infrastructure & Development

Megan Goss, Manager of Public Works

Dwayne McNab, Chief Building Official

Jeremy Becker, Fire Chief

Shawn Young, Manager of Environmental Services

**Related Documents:**

Fin.20.16 Appendix A – Q2 Operating Variance Report

Respectfully submitted,

**Sandy Becker, Director of Financial Services**

### Report Approval Details

Document Title:	FIN.20.16-2020 Second Quarter Operating Variance Report.docx
Attachments:	- FIN.20.16 Second Quarter Oper Budget Variance Appendix A.docx
Final Approval Date:	Aug 6, 2020

This report and all of its attachments were approved and signed as outlined below:

**Rebekah Msuya-Collison - Aug 4, 2020 - 12:25 PM**

**Dan Best - Aug 6, 2020 - 9:40 AM**