

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: January 4, 2022
Subject: October 2021 Budget Variance Forecast

Recommendation

It is recommended that:

1. Administration continue to monitor operations and report back to Council with the Final 2021 variance report after the completion of the year-end audit.

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 variance 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 made in the development of the October 2021 variance due to the ongoing COVID-19 pandemic and Wheatley emergency causing uncertainty for the remainder of the 2021 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 following two sections provide explanations of the variance:

- A) Departmental
- B) Divisional variances > 2% overrun or an overrun in excess of \$1.0M

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 2022 budget deliberations.

The October 2021 budget variance is forecasting a net shortfall of \$3.5M representing 1.00% 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 2021 Surplus/(Deficit)	Comments
Non Departmental	\$659,153	Increase in tax supplementaries partially offset by a decrease in casino income
Chief Administrative Office	\$24,637	Wheatley expenses offset by COVID savings in travel and conferences
Mayor, Council & Admin Support	\$92,069	Decrease in travel and conferences due to COVID and Integrity Commissioner surplus
Community Development	\$425,334	Staff vacancies and decreases in conference and meeting expenses due to COVID
Community Human Services	\$176,709	Reduction in recreational programs offered and indoor pools being closed for a portion of 2021 due to COVID
Corporate Services	\$69,054	Decrease in Provincial Offences Court, lottery and business licensing revenue offset by increase in Service Ontario revenue
Finance, Budget, Information Technology & Transformation	(\$189,527)	Wheatley security expenses and Bradley Centre reduced rental revenue partially offset by staff vacancies
Fire and Emergency Services	(\$1,954,297)	Increase in overtime and Windsor Hazmat expenses due to the Wheatley emergency
Infrastructure & Engineering Services	(\$3,249,146)	Shortfall in Service Level Agreement with PUC and arena rental revenue partially offset by savings in Fleet repairs and maintenance. Increased costs related to Wheatley and Erie Shore emergencies
Police Services	\$987,692	Staffing related
Projected Deficit	(\$2,958,322)	
Transfer to Reserve for Police Services	\$493,846	50% of Police Services Surplus

Department	October 2021 Surplus/(Deficit)	Comments
Total Projected Chatham-Kent Deficit	(\$3,452,168)	

B) Divisional:

The following explanations have been provided by the divisions regarding budget overruns >2% or have a cost overrun in excess of \$1.0M:

Non-Operating has an overall surplus of \$659,153. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Financial Expenses	Gord Quinton
Net Final Budget	\$7,534,149
Projected Deficit	(\$213,224)
Calculated %	(2.83%)

The projected deficit is due to an increase in taxation write-offs and bank charges.

General Administration	Gord Quinton
Net Final Budget	(\$1,383,591)
Projected Deficit	(\$251,842)
Calculated %	18.20%

The projected deficit is due to previous year costs for the multi-use recreation facility being expensed in 2021.

Corporate Services has an overall surplus of \$69,054. 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	\$3,828,202
Projected Deficit	(\$93,351)
Calculated %	(2.44%)

The projected deficit is due to increasing retiree benefits.

Municipal Governance	Cathy Hoffman
Net Final Budget	\$379,607
Projected Deficit	(\$406,685)
Calculated %	(107.13%)

The projected deficit is due to a reduction in lottery licensing along with the implementation of Council's motion to waive business licensing for one year, and a decrease in Provincial Offences revenues.

Finance, Budget, Information Technology & Transformation has an overall deficit of \$189,527. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

FBITT - Administration

Gord Quinton

Net Final Budget	\$356,951
Projected Deficit	(\$286,838)
Calculated %	(80.36%)

The projected deficit is due to security costs associated with the Wheatley emergency.

John D. Bradley Convention Centre

Gord Quinton

Net Final Budget	\$1,001,286
Projected Deficit	(\$186,297)
Calculated %	(18.61%)

The projected deficit is due to reduction in rental revenue due to COVID and increased operational costs.

Fire & Emergency Services has an overall deficit of \$1,954,297. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Fire and Emergency Services

Chris Case

Net Final Budget	\$23,372,345
Projected Deficit	(\$1,954,297)
Calculated %	(8.36%)

The projected deficit is due to staffing and overtime costs associated with the Wheatley emergency and gas monitoring expenses.

Infrastructure & Engineering Services has an overall deficit of \$3,249,146. 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	\$49,301,515
Projected Deficit	(\$2,575,555)
Calculated %	(5.22%)

The projected deficit is mainly due to reduced revenue from the Service Level Agreement with the Public Utilities Commission, an increase in winter control contracts and materials, and the Erie Shore and Wheatley emergencies.

Recreation Facilities & Parks and Open Spaces

Thomas Kelly

Net Final Budget	\$8,739,370
Projected Deficit	(\$1,126,529)
Calculated %	(12.89%)

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

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, the overall net expense currently projected to December 31, 2021 due to the COVID-19 emergency is \$3.4M. A significant portion of the COVID-19 expenses are related to a loss in revenue from the Provincial Offences Court, Casino, and arena rentals. A large portion of the Public Health COVID-19 expenses are related to the mass vaccination clinic. It is believed that this expense will be reimbursed by the Province, but as of the date of this report the legal funding agreements were not yet available.

Wheatley Emergency

The Municipality has seen a significant increase in costs as a result of the ongoing Wheatley emergency as highlighted in Appendix C.

Of the total projected \$3.5M increase in net costs, the most significant increases relate to staffing expenses, in particular within Fire and Emergency Services which by December 31 will account for nearly \$2M in overtime and gas monitoring expenses.

The Province has publically announced funding to Chatham-Kent to offset part of the costs of the emergency, but as of the date of this report the legal funding agreements have not yet been signed.

Administration will continue to monitor the financial situation and COVID-19 assumptions used in the development of the October variance.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports 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 recommendation in this report supports 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 2021 variance report and developed options, if necessary, to manage to their bottom line.

Financial Implications

Dependent on actual variance results at the end of 2021, administration will recommend that any deficits be funded from reserves and any surplus be transferred to unfunded capital issues or reserves to handle future issues. It is expected that the majority of the Wheatley expenses incurred in 2021 will eventually be reimbursed by the Province.

Prepared by:

Reviewed by:

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Director, Budget & Performance Services

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

Attachments: Appendix A – October 2021 Variance by Division
Appendix B – October 2021 Variance COVID-19 Expenses
Appendix C – October 2021 Wheatley Expenses

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MUNICIPALITY OF CHATHAM-KENT						
Variance Report by BU-sector summary						
Selected year 2021						
100 CK Municipal Operations						
	2021	2021	2021	Calculated	Calculated	2021
	Approved	Actuals	Forecast to	Surplus(Deficit)	Surplus(Deficit)	Variance Forecast
	Final Budget	To-date	Dec31	Variance	%	Comment
00100 CHATHAM-KENT OPERATING						
Non Non Departmental						
Grants and Requisitions	\$3,185,262	(\$112,943)	\$3,156,378	\$28,884	0.91%	
General Revenues	(\$185,332,952)	(\$184,405,898)	(\$186,474,734)	\$1,141,782	(0.62%)	Increase in tax supplementaries
Financial Expenses	\$7,534,149	\$3,564,648	\$7,747,373	(\$213,224)	(2.83%)	Increase in bank charges and taxation write-offs
Capital - Admin	\$6,336,336	\$6,399,112	\$6,376,412	(\$40,076)	(0.63%)	
Provincial Downloading Services	(\$18,125,808)	(\$18,154,170)	(\$18,125,808)	\$0	0.00%	
General Administration	(\$1,383,591)	(\$5,020,320)	(\$1,131,749)	(\$251,842)	18.20%	Multi-Use Recreation Facility Consulting Fees
Extraordinary Events	\$0	\$3,503	\$6,371	(\$6,371)		
Total Non Non Departmental	(\$187,786,604)	(\$197,726,068)	(\$188,445,757)	\$659,153	(0.35%)	
CAO CAO						
Chief Administrative Officer	\$854,129	\$665,054	\$827,124	\$27,005	3.16%	COVID savings & Wheatley related expenses
Legal Services	\$1,882,097	\$2,053,865	\$1,884,465	(\$2,368)	(0.13%)	
Total CAO CAO	\$2,736,226	\$2,718,919	\$2,711,589	\$24,637	0.90%	
MAY Mayor, Council and Admin Support						
Office of the Mayor/ Council	\$330,774	\$308,853	\$330,774	\$0	0.00%	
Council, Council Support	\$918,986	\$760,563	\$826,917	\$92,069	10.02%	Decrease in travel and training expenses due to COVID and Integrity Commissioner surplus.
Total MAY Mayor, Council and Admin Support	\$1,249,760	\$1,069,416	\$1,157,691	\$92,069	7.37%	
CD Community Development						
Community Development - Admin	\$287,178	\$257,644	\$279,344	\$7,834	2.73%	Savings related to COVID-19
Building Development Services	\$237,785	(\$1,650,282)	\$186,450	\$51,335	21.59%	Property Standards administrative charge revenue and zoning reports revenue surplus
Community Attraction and Promotion	\$919,996	\$515,527	\$903,181	\$16,815	1.83%	
Economic Development Services	\$1,262,177	\$702,480	\$1,144,095	\$118,082	9.36%	Savings related to COVID-19
Planning Services	\$1,285,447	\$622,391	\$1,054,179	\$231,268	17.99%	Wage slippage, due to vacancies
Total CD Community Development	\$3,992,583	\$447,760	\$3,567,249	\$425,334	10.65%	
CHS Community Human Services						
Community Human Services - Admin	\$191,301	\$2,918	\$191,302	(\$1)	(0.00%)	
Child Care, Recreation & Early Years	\$3,279,321	(\$1,136,918)	\$3,094,851	\$184,470	5.63%	Rec Programs - reduction of programs offered and indoor pools were only open a portion of the year. Child Care - will not need all of the municipal share for 2021
Public Health	\$1,973,970	\$2,152,456	\$1,973,970	\$0	0.00%	
Employment and Social Services	\$4,972,907	\$1,373,466	\$4,972,907	\$0	0.00%	
Seniors Services	\$7,107,424	\$4,758,498	\$7,107,425	(\$1)	(0.00%)	
Housing Services	\$8,169,528	(\$1,825,794)	\$8,169,527	\$1	0.00%	
CK Public Library	\$4,414,502	\$3,997,830	\$4,434,564	(\$20,062)	(0.45%)	
Arts and Culture	\$1,614,604	\$1,207,949	\$1,602,302	\$12,302	0.76%	
Total CHS Community Human Services	\$31,723,557	\$10,530,405	\$31,546,848	\$176,709	0.56%	
CS Corporate Services						
Human Resources and Org Development	\$3,828,202	\$2,799,549	\$3,921,553	(\$93,351)	(2.44%)	Retiree Benefits
Customer Services	\$1,765,337	\$1,211,810	\$1,196,247	\$569,090	32.24%	Funding from Chatham Service Ontario and staffing levels were down do to staff leaving and positions not being filled
Municipal Governance	\$379,607	\$1,110,943	\$786,292	(\$406,685)	(107.13%)	POC - decrease in revenue due to COVID and Licensing - decrease in revenue due to Council motion for Business licenses and reduction in Marriage licenses.
Total CS Corporate Services	\$5,973,146	\$5,122,302	\$5,904,092	\$69,054	1.16%	
FBITT Finance, Budget, Information Tech & Transformation						
FBITT - Admin	\$356,951	\$939,407	\$643,789	(\$286,838)	(80.36%)	Wheatley security expenses.
Budget and Performance Services	\$688,406	\$598,862	\$688,406	\$0	0.00%	
Financial Services	\$1,980,549	\$912,865	\$1,961,227	\$19,322	0.98%	
Information Technology & Transformation	\$7,747,922	\$5,931,121	\$7,483,636	\$264,286	3.41%	Wage savings partially offset by increase in purchase of service.
John D Bradley Convention Centre	\$1,001,286	\$1,198,536	\$1,187,583	(\$186,297)	(18.61%)	Increased operational cost
Total FBITT Finance, Budget, Information Tech & Transf	\$11,775,114	\$9,580,791	\$11,964,641	(\$189,527)	(1.61%)	
FES Fire and Emergency Services						
Fire and Emergency Services	\$23,372,345	\$21,831,141	\$25,326,642	(\$1,954,297)	(8.36%)	Largely Wheatley driven with overtime and Windsor hazmat costs
Total FES Fire and Emergency Services	\$23,372,345	\$21,831,141	\$25,326,642	(\$1,954,297)	(8.36%)	
IES Infrastructure and Engineering Services						
Infrastructure, Engineering Services - Admin	\$296,077	(\$419,368)	\$292,146	\$3,931	1.33%	
Drainage, Asset, Waste Management	\$12,200,335	\$15,860,812	\$11,784,027	\$416,308	3.41%	Driven by Fleet fuel and repairs surpluses
Engineering, Transportation Services	\$4,823,574	\$3,387,492	\$4,790,875	\$32,699	0.68%	
Public Works	\$49,301,515	\$51,047,609	\$51,877,070	(\$2,575,555)	(5.22%)	Winter control contracts and materials, PUC SLA, Wheatley costs, Erie shore costs
Rec Facilities & Parks and Open Spaces	\$8,739,370	\$8,864,680	\$9,865,899	(\$1,126,529)	(12.89%)	Net COVID losses
Total IES Infrastructure and Engineering Services	\$75,360,871	\$78,741,225	\$78,610,017	(\$3,249,146)	(4.31%)	
POL Police Services						
Administrative Support	\$7,996,121	\$7,092,189	\$7,927,761	\$68,360	0.85%	Mainly wages due to vacancies, WSIB and LTD. There should be no NEER surcharge this year as we are now fully in the new framework. Surplus does not include 50% transfer to reserve.
Community Patrol	\$16,384,088	\$14,941,997	\$15,678,352	\$705,736	4.31%	
Office of the Chief	\$1,105,006	\$1,045,380	\$1,076,859	\$28,147	2.55%	
Operational Support	\$5,825,178	\$5,300,000	\$5,715,617	\$109,561	1.88%	
Police Services Board	\$292,609	\$387,584	\$216,721	\$75,888	25.93%	
Total POL Police Services	\$31,603,002	\$28,767,150	\$30,615,310	\$987,692	3.13%	
Total 00100 CHATHAM-KENT OPERATING	\$0	\$0	\$2,958,322	(\$2,958,322)		
Total 100 CK Municipal Operations	\$0	\$0	\$2,958,322	(\$2,958,322)		

Municipality of Chatham-Kent COVID-19 Related Items					Appendix B
Dept/Division/Area	Revenues Lost	Additional Costs	Cost Savings/ Avoidance	Additional Funding	Notes
NON Departmental	\$800,000	\$6,371			Decrease in casino revenue and increase in PPE costs
CAO/Mayor	-	\$145	(\$37,219)	-	Reduction in Conference/Seminars/Meetings, Project Costs and Professional Fees
Community Development	-	\$130,071	(\$139,821)	(\$125,000)	Savings from travel and conferences. Increased Provincial grants for Economic Development
Community Human Services	\$1,334,399	\$13,036,878	(\$5,446,418)	(\$8,505,184)	Immunization clinics, emergency housing and increase in Public Health costs partially offset by increased funding and savings from miscellaneous sources
Corporate Services	\$617,683	\$46,644	(\$360,246)	(\$796)	Decrease in Provincial Offences Court revenues created by court closures partially offset with savings from travel, conferences
Finance, Budget, Information Technology & Transformation	\$216,517	\$196,369	(\$35,322)	(\$921)	Decrease in tax sale registrations and increase in Bradley Centre expenses partially offset by travel and conference expenses.
Fire & Emergency Services	-	\$527,914	-	(\$520,067)	Additional Medavie contract with funding
Infrastructure & Engineering Services	\$2,365,283	\$633,744	(\$1,162,283)	(\$301,172)	Arena revenue loss offset by operational savings and decrease in travel and conference expense
Police	\$28,434	\$80,100	(\$35,395)	(\$276)	Loss of paid duty OT costs and revenue. Supplies costs.
	\$5,362,316	\$14,658,236	(\$7,216,704)	(\$9,453,416)	
TOTAL COVID-19 COSTS		<u>\$3,350,432</u>			

Municipality of Chatham-Kent Wheatley Emergency Related Items			Appendix C
Dept/Division/Area	Additional Costs	Additional Funding	Notes
NON Departmental			
CAO/Mayor	\$50,940	-	Increase in wages and subscriptions
Community Development	\$608,944	(\$514,309)	Increase in wages and subsidy to support Wheatley businesses and residents
Community Human Services	\$379,096	-	Increase in wages
Corporate Services	\$49,530	-	Increase in wages
Finance, Budget, Information Technology & Transformation	\$307,332	-	Security costs and increase in wages
Fire and Emergency Services	\$1,910,100	-	Increase in wages and overtime. Windsor Hazmat team gas monitoring
Infrastructure and Engineering Services	\$398,213	-	Increase in wages, Asbestos disposal and machinery rental
Police	\$335,359		Increase in wages
	\$4,039,514	(\$514,309)	
<i>TOTAL Wheatley COSTS</i>	<u>\$3,525,205</u>		