

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: June 28, 2021
Subject: May 2021 Budget Variance Forecast

Recommendation

It is recommended that:

1. Administration continue to monitor operations and report back to Council with an October variance report prior to the 2022 budget deliberations.

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 May 2021 variance due to the ongoing COVID-19 pandemic 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 May 31 to the end of the year. Future variance forecasts are scheduled for October 31, which will be updated during budget deliberations in January 2022.

The May 2021 budget variance is forecasting a net shortfall of \$2.6M representing 0.75% 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	May 2021 Surplus/(Deficit)	Comments
Non Departmental	(\$1,422,844)	Decrease in casino and investment income
Chief Administrative Office	(\$3,733)	Staffing related
Mayor, Council & Admin Support	\$40,379	Decrease in travel and conferences due to COVID
Community Development	\$409,808	Increased application revenue, staffing vacancies and decreases in conference and meeting expenses due to COVID
Community Human Services	(\$815,551)	Decrease in rental revenue for the Capitol Theatre and costs associated with the immunization clinic
Corporate Services	\$203,317	Decrease in lottery and business licensing revenue offset by increase in Service Ontario revenue
Finance, Budget, Information Technology & Transformation	(\$17,776)	Bradley Centre reduced rental revenue partially offset by staffing vacancies
Fire and Emergency Services	(\$79,066)	Increase in overtime due to COVID
Infrastructure & Engineering Services	(\$1,725,030)	Shortfall in Service Level Agreement with PUC and arena rental revenue partially offset by savings in Fleet repairs and maintenance
Police Services	\$823,462	Staffing related
Projected Deficit	(\$2,587,036)	
Transfer to Reserve for Police Services	\$411,731	50% of Police Services Surplus
Total Projected Chatham-Kent Deficit	(\$2,998,767)	

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 along with mitigating steps that have/or will be put in place:

Non-Operating has an overall deficit of \$1,423,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

General Revenues		Gord Quinton
Net Final Budget	(\$185,307,952)	
Projected Deficit	(\$1,316,332)	
Calculated %	0.71%	

The projected deficit is due to a decrease in casino and investment income.

Community Human Services has an overall deficit of \$816,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Public Health		April Rietdyk
Net Final Budget	\$1,994,139	
Projected Deficit	(\$617,383)	
Calculated %	(30.96%)	

The projected deficit is due to increased costs to operate the mass vaccination clinic. Chatham-Kent expects these costs to be reimbursed from the Province, however to date there is no agreement in place, and therefore no revenue to offset the clinic costs were included in the forecast.

Arts and Culture		April Rietdyk
Net Final Budget	\$1,597,973	
Projected Deficit	(\$147,073)	
Calculated %	(9.20%)	

The projected deficit is primarily due to decreased theatre rental revenue.

Corporate Services has an overall surplus of \$203,317. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

Municipal Governance		Cathy Hoffman
Net Final Budget	\$359,848	
Projected Deficit	(\$124,415)	
Calculated %	(34.57%)	

The projected deficit is due to a reduction in lottery licensing along with the implementation of Councils motion to waive business licensing for one year.

Finance, Budget, Information Technology & Transformation has an overall deficit of \$18,000. The following divisional activities exceed a budget overrun of 2% or have a cost overrun in excess of \$1.0M:

John D. Bradley Convention Centre	Gord Quinton
Net Final Budget	\$1,001,286
Projected Deficit	(\$100,000)
Calculated %	(9.99%)

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

Infrastructure and Engineering Services has an overall deficit of \$1,725,000. 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	\$49,279,480
Projected Deficit	(\$1,025,120)
Calculated %	(2.08%)

The projected deficit is mainly due to reduced revenue from the Service Level Agreement with the Public Utilities Commission.

Recreation Facilities & Parks and Open Spaces	Thomas Kelly
Net Final Budget	\$8,735,781
Projected Deficit	(\$1,201,079)
Calculated %	(13.75%)

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 – May 2021 Variance COVID-19 Expenses, the overall net expense currently projected to December 31, 2021 due to the COVID-19 emergency is \$8.8M. A significant portion of the COVID-19 expenses are related to the mass vaccination clinic. It is believed that this expense will be reimbursed by the Province, however, at this time Chatham-Kent has not received a funding announcement and therefore is included as an expense with no offsetting recovery.

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

Prepared by:

Reviewed by:

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Chief Financial Officer, Treasurer

Attachments: Appendix A – May 2021 Variance by Division
Appendix B – May 2021 Variance COVID-19 Expenses

MUNICIPALITY OF CHATHAM-KENT

Variance Report by BU-sector summary
Selected year **2021**

Appendix A

100 CK Municipal Operations

	2021	2021	2021	Calculated	Calculated	2021
	Approved	Actuals	Forecast	Surplus (Deficit)	Surplus(Deficit)	Variance Forecast
	Final Budget	To-date	As of May	Variance	%	Comment
00100 CHATHAM-KENT OPERATING						
Non Non Departmental						
Grants and Requisitions	\$3,185,262	(\$1,109,078)	\$3,195,198	(\$9,936)	(0.31%)	
General Revenues	(\$185,307,952)	(\$89,764,090)	(\$183,991,620)	(\$1,316,332)	0.71%	Decrease in casino and investment income
Financial Expenses	\$8,071,621	\$1,994,062	\$8,135,811	(\$64,190)	(0.80%)	
Capital - Admin	\$6,336,336	\$10,737,041	\$6,376,412	(\$40,076)	(0.63%)	
Provincial Downloading Services	(\$18,125,808)	(\$9,077,085)	(\$18,125,808)	\$0	0.00%	
General Administration	(\$1,383,591)	(\$3,390,128)	(\$1,391,052)	\$7,461	(0.54%)	
Extraordinary Events	\$0	\$408	(\$229)	\$229		
Total Non Non Departmental	(\$187,224,132)	(\$90,608,870)	(\$185,801,288)	(\$1,422,844)	0.76%	
CAO CAO						
Chief Administrative Officer	\$854,444	\$293,038	\$858,051	(\$3,607)	(0.42%)	
Legal Services	\$1,866,055	\$1,168,015	\$1,866,181	(\$126)	(0.01%)	
Total CAO CAO	\$2,720,499	\$1,461,053	\$2,724,232	(\$3,733)	(0.14%)	
MAY Mayor, Council and Admin Support						
Office of the Mayor/ Council	\$329,761	\$158,347	\$329,761	\$0	0.00%	
Council, Council Support	\$914,118	\$352,383	\$873,739	\$40,379	4.42%	Decrease in travel and meeting expenses due to COVID-19
Total MAY Mayor, Council and Admin Support	\$1,243,879	\$510,730	\$1,203,500	\$40,379	3.25%	
CD Community Development						
Community Development - Admin	\$281,182	\$132,734	\$274,606	\$6,576	2.34%	Travel and seminar savings due to COVID-19
Building Development Services	\$235,312	(\$1,015,345)	\$215,667	\$19,645	8.35%	Miscellaneous revenue not budgeted
Community Attraction and Promotion	\$815,408	(\$60,821)	\$805,815	\$9,593	1.18%	
Economic Development Services	\$1,246,134	\$486,508	\$1,164,677	\$81,457	6.54%	Reduced Tradeshow, travel and meeting expenses
Planning Services	\$1,261,332	(\$419,182)	\$968,795	\$292,537	23.19%	Staffing vacancy and increase in application revenue
Total CD Community Development	\$3,839,368	(\$876,106)	\$3,429,560	\$409,808	10.67%	
CHS Community Human Services						
Community Human Services - Admin	\$470,981	(\$33,370)	\$470,981	\$0	0.00%	
Child Care, Recreation & Early Years	\$3,171,689	(\$4,512,702)	\$3,220,475	(\$48,786)	(1.54%)	
Public Health	\$1,994,139	\$1,413,933	\$2,611,522	(\$617,383)	(30.96%)	No funding agreement for immunization centre
Employment and Social Services	\$5,040,031	\$444,951	\$5,040,031	\$0	0.00%	
Seniors Services	\$6,953,430	\$2,107,906	\$6,953,429	\$1	0.00%	
Housing Services	\$8,127,950	(\$2,734,595)	\$8,127,949	\$1	0.00%	
CK Public Library	\$4,405,104	\$1,722,128	\$4,407,415	(\$2,311)	(0.05%)	
Arts and Culture	\$1,597,973	\$372,894	\$1,745,046	(\$147,073)	(9.20%)	Decrease in theatre rental revenue
Total CHS Community Human Services	\$31,761,297	(\$1,218,855)	\$32,576,848	(\$815,551)	(2.57%)	
CS Corporate Services						
Human Resources and Org Development	\$3,661,051	\$719,063	\$3,661,820	(\$769)	(0.02%)	
Customer Services	\$1,760,405	\$695,245	\$1,431,904	\$328,501	18.66%	Service Ontario Recoveries and wage slippage
Municipal Governance	\$359,848	\$545,239	\$484,263	(\$124,415)	(34.57%)	Decrease in lottery and marriage licenses and motion by Council to wave business licences fees for one year
Total CS Corporate Services	\$5,781,304	\$1,959,547	\$5,577,987	\$203,317	3.52%	
FBITT Finance, Budget, Information Tech & Transformation						
FBITT - Admin	\$348,996	\$79,538	\$348,996	\$0	0.00%	
Budget and Performance Services	\$680,466	\$263,563	\$680,465	\$1	0.00%	
Financial Services	\$1,947,749	\$102,397	\$1,879,141	\$68,608	3.52%	Staffing vacancy
Information Technology & Transformation	\$7,729,691	\$3,375,077	\$7,716,076	\$13,615	0.18%	
John D Bradley Convention Centre	\$1,001,286	\$341,785	\$1,101,286	(\$100,000)	(9.99%)	Increased expenses and reduced rental revenue due to COVID-19
Total FBITT Finance, Budget, Information Tech & Transformation	\$11,708,188	\$4,162,360	\$11,725,964	(\$17,776)	(0.15%)	
FES Fire and Emergency Services						
Fire and Emergency Services	\$23,309,540	\$8,146,300	\$23,388,606	(\$79,066)	(0.34%)	
Total FES Fire and Emergency Services	\$23,309,540	\$8,146,300	\$23,388,606	(\$79,066)	(0.34%)	
IES Infrastructure and Engineering Services						
Infrastructure, Engineering Services - Admin	\$288,146	(\$540,399)	\$283,449	\$4,697	1.63%	
Drainage, Asset, Waste Management	\$12,152,806	\$15,838,697	\$11,681,037	\$471,769	3.88%	Savings in Fleet repairs and maintenance
Engineering, Transportation Services	\$4,790,809	\$268,723	\$4,767,106	\$23,703	0.49%	
Public Works	\$49,279,480	\$39,142,571	\$50,303,600	(\$1,024,120)	(2.08%)	Shortfall in Service Level Agreement with PUC
Rec Facilities & Parks and Open Spaces	\$8,735,781	\$5,983,111	\$9,936,860	(\$1,201,079)	(13.75%)	Decrease in arena rental revenue due to COVID-19
Total IES Infrastructure and Engineering Services	\$75,247,022	\$60,692,703	\$76,972,052	(\$1,725,030)	(2.29%)	
POL Police Services						
Administrative Support	\$7,996,656	\$3,201,267	\$8,188,255	(\$191,599)	(2.40%)	
Community Patrol	\$16,393,588	\$6,492,985	\$15,716,953	\$676,635	4.13%	
Office of the Chief	\$1,105,006	\$504,130	\$1,078,364	\$26,642	2.41%	
Operational Support	\$5,825,178	\$2,408,975	\$5,486,781	\$338,397	5.81%	
Police Services Board	\$292,609	\$231,596	\$319,222	(\$26,613)	(9.10%)	
Total POL Police Services	\$31,613,037	\$12,838,953	\$30,789,575	\$823,462	2.60%	
Total 00100 CHATHAM-KENT OPERATING				(\$2,587,036)		
Total 100 CK Municipal Operations				(\$2,587,036)		

**Municipality of Chatham-Kent
COVID-19 Related Items**

Appendix B

Department	Revenues Lost	Additional Costs	Cost Savings/ Avoidance	Additional Funding	Notes
<u>NON Departmental:</u>	\$2,006,000	\$0	\$0	\$0	Lost casino revenue \$1.1m - summer opening with reduced capacity. Reduced interest income \$906k
<u>CAO/Mayor:</u>		\$167			Increased material costs
<u>Community Development:</u>		\$774	(\$100,614)		Decrease usage of conference and meeting budgets offsetting additional COVID related costs
<u>Community Human Services:</u>	\$1,422,879	\$11,859,432	(\$1,422,286)	(\$6,789,082)	Additional costs and revenue for emergency housing, increased costs due to immunization clinic, savings due to dental program not running, and on travel and seminars
<u>Corporate Services:</u>	\$134,025	\$2,638	(\$42,472)	\$0	Business licencing loss due to waiving of fee and other licencing losses due to COVID, partially offset by decrease in travel and conference costs
<u>Finance, Budget, Information Technology & Transformation:</u>	\$100,000	\$10,169	(\$8,100)	\$0	Decrease in Bradley Centre revenue, increase in work from home hardware for staffing during pandemic partially offset by a decrease in travel and conferences
<u>Fire & Emergency Services:</u>	\$0	\$531,130	\$0	(\$520,000)	Increased Ambulance contract and PPE costs partially offset by increased Ministry funding
<u>Infrastructure & Engineering Services:</u>	\$2,047,197	\$197,152	(\$697,552)	(\$20,105)	Revenue loss due to arenas being closed during COVID, increased janitorial and transit costs, partially offset by Transit Safe Restart funding
<u>Police Services:</u>	\$35,310	\$96,500	(\$4,461)	(\$276)	Paid Duty revenue loss and increased costs for PPE and Fleet
	\$5,745,411	\$12,697,962	(\$2,275,485)	(\$7,329,463)	

TOTAL COVID-19 COSTS

\$8,838,425