



Subject: 2024 Second Quarter Operating Fund Variance Report

Department: Corporate Services

Division: Finance

Report #: CPS-2024-051

Meeting Date: 2024-08-12

Recommendations

That report CPS-2024-051 regarding the 2024 Second Quarter Operating Fund Variance be received.

Overview and Background

The purpose of this report is to provide Council with a corporate summary of the operating financials for the period ending June 30, 2024, and to summarize significant variances that have been identified during the second quarter.

This report and the explanations provided are intended to highlight trends being monitored for Council's information and to address significant year-to-date ("YTD") variances.

While the variances mentioned below may not be indicative of future trends or variances for the remainder of the year, it is important to highlight the current variances to ensure that Council is aware.

Analysis/Current Situation

The YTD operating fund performance has resulted in a favourable variance of \$2,627,919 or 18.6%. This was largely due to a deficit in expenditures that offset the impacts of slightly lower revenues and more internal transfers than expected.

Attachment 1 – 2024 Second Quarter Operating Fund Variance provides a comparison of the actual operating results to the operating budget allocations as of June 30, 2024, by division.

Table 1 below summarizes the second quarter operating fund results by source. Significant divisional variances are highlighted below.

The consolidated YTD revenues were \$562,286 or 1.2% below the second quarter YTD budget forecast. Revenues to date represent approximately 68% of the annual budget and were 5% higher than the second quarter in 2023.

The consolidated YTD expenditures were \$3,249,174 or 11.1% lower than the second quarter YTD budget allocation. Expenditures to date represent approximately 44% of the annual budget and were 1.4% higher than the second quarter in 2023.

The consolidated YTD internal transfers were \$58,969 or 1.8% higher than the second quarter YTD budget allocation. The main drivers behind this variance were reserve and capital transfers. These types of transfers only occur when funding is needed. Internal transfers to date represent approximately 38% of the annual budget and were 42% higher than the second quarter in 2023.

Table 1 – 2024 Q2 Operating Fund Variance by Source

| | YTD Budget | YTD Actuals | YTD Variance in dollars | YTD Variance % | Annual Budget |
|---------------------------|---------------|---------------|-------------------------|----------------|---------------|
| | \$ Millions | | | | \$ Millions |
| Revenues | (46.7) | (46.1) | (562,286) | (1.2) | (67.6) |
| Expenses | 29.3 | 26.0 | 3,249,174 | 11.1 | 58.8 |
| Internal Transfers | 3.26 | 3.32 | (58,969) | (1.8) | 8.7 |
| Total Operations | (14.2) | (16.8) | 2,627,919 | 18.6 | |

For reference, revenues higher than budget and expenses less than budget result in a positive (+) variance, and revenues less than budget and expenses higher than budget result in a negative (-) variance.

Levy Funded variances that are greater than 15% are highlighted below:

\$58,228 Committees – This positive variance was due to lower levels of spending across most groups; 7 out of 10 had 90% or more of their budgets available for use at the end of the second quarter.

\$1,671,185 Corporate Allocations – While this variance is minor at 4.9%, it is worth noting the following significant favorable variances:

- \$1.05M in proceeds from the sale of land
- \$563K surplus in interest income
- \$290K more in tax levies collected than forecasted

These positive variances were offset by \$102K in debt principal repayments, and \$369K less in supplementary taxes received.

(\$33,990) **Communications** – This negative variance was largely driven by a \$30K surplus in compensation expenditure.

\$250,389 **Facilities** – This positive variance largely came from the following sources:

- \$148K less in compensation expenditure
- \$29K less in hydro
- \$16K less in janitorial services
- \$23K more in community rentals
- \$25K more in advertising revenue

\$123,204 **Parks** – This positive variance was due to an \$81K deficit in compensation, \$7K surplus in revenue for sporting fields, \$6K less in utilities across parks, and \$14K less in fleet maintenance costs.

\$432,314 **Recreation and Events** – This positive variance was largely due to a \$220K deficit in compensation, \$35K more in recreation program registration, \$33K more in aquatics hourly rentals, and \$128K more in aquatics lesson registration.

\$415,244 **Public Works** – This positive variance was driven by the following sources:

- \$42K deficit in compensation
- \$100K less in outside services for catch basin/curb/storm sewers
- \$28K less in resurfacing/patching
- \$52K less in contracts for snow removal
- \$316K less in snow removal and salting
- \$58K less for sidewalk maintenance

The resurfacing/patching and sidewalk maintenance projects are scheduled to start later in the year, at which point funds will start to be drawn upon. These positive variances were offset by \$86K more in outside services for safety devices/signs, and \$148K more in tree maintenance.

\$31,875 **Cemetery** – Variances in this division are due to timing and use of services by the community as well as the Town. We predominantly see revenues and expenses in the warmer months. This positive variance was due to a \$27K deficit in compensation, \$15K more in administrative revenues, and \$4K less in expenditure for foundations/markers. This was

offset by a combined \$15K more in expenditure for outside services and corner posts.

Non-Levy Funded variances that are greater than 15% are highlighted below:

(\$29,909) **Building** – This negative variance was primarily due to receiving \$52K less in building permit revenue than forecasted. This is reasonable given we cannot accurately estimate the number of permits required each year, or market conditions such as the prevailing interest rate. This variance was positively offset by a \$20K deficit in compensation.

(\$363,669) **Water** – This negative variance was largely due to the absence of revenues for water volume, water monthly fees, and municipal agreements in the second quarter. This is ultimately a timing issue that depends on when funds are received in relation to the budget but will narrow as the year progresses. The following positive variances had an offsetting effect on the delays in revenues:

- \$145K compensation deficit
- \$89K less in meters and conservation
- \$51K less in water reading expenditures
- \$59K less in hydro expenditure
- \$24K less in fire hydrant maintenance

The fire hydrant maintenance project is scheduled to start later in the year, at which point funds will start to be drawn upon.

(\$253,387) **Wastewater** – Similar to the previous division, this negative variance was largely due to the absence of revenues for sewer volume, sewer monthly fees, and higher spending for the disposal of biosolids in the second quarter. This is ultimately a timing issue that depends on when funds are received in relation to the budget but will narrow as the year progresses. The following positive variances had an offsetting effect on the delays in revenues:

- \$130K compensation deficit
 - \$80K less in outside services for sanitary sewers
 - \$58K less in facilities management
 - \$29K more in cost recoveries from the WPCP
 - \$20K more in sanitary sewer grants
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Corporate Implications

There was a favourable variance of \$2,627,919 at the end of June 30, 2024. The second quarter variance is not indicative of a trend and is subject to change throughout the balance of the year due to factors such as weather-related activity, utility and fuel usage, tax write-offs, position vacancies, and development activity.

Staff are currently working to develop a Reserve Fund Framework for the Town, inclusive of a Reserve Fund Policy and By-Law. This framework will better define the purpose of obligatory and discretionary reserve funds, outlining the sources, eligible uses, management, and target balances for the Town's Reserves and Reserves Funds. If achieved, any remaining surplus from the operating budget at year-end will be allocated based on the approved framework.

Reporting quarterly on the operating fund variance supports Council in achieving its fiduciary responsibilities to monitor and report on corporate performance in accordance with the Town's Strategic Plan.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness

Objective: Due Diligence – confirm applicable governance and policy regimes

Notice Provisions

Not Applicable

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Attachment(s): 1. 2024 Second Quarter Operating Fund Variance