
Subject: 2021 First Quarter Operating Fund Variance

Department: Corporate Services

Division: Finance

Report #: CPS-2021-037

Meeting Date: 2021-05-10

Recommendations

That report CPS-2021-037 regarding the 2021 First Quarter Operating Fund Variance be received.

Background and Analysis

The purpose of this report is to provide Council with a corporate summary of the Operating Fund performance for the period ending March 31, 2021 and to summarize significant variances that have been identified during the first quarter.

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

Appendix 1 – 2021 First Quarter Operating Fund Variance provides a comparison of the actual operating results to the operating allotment as of March 31, 2021 by division. Table 1 below summarizes the first quarter operating fund results by source.

The consolidated revenues to date show an unfavourable variance of \$(857,692) or 4% lower than the first quarter budget allotment. Revenues to date represent approximately 34% of the annual budget and are 3% lower than the first quarter for 2020. Significant divisional variances are highlighted below.

The consolidated expenditures to date show a favourable variance of \$2,675,391 or 20% lower than the first quarter budget allotment. Expenditures to date represent approximately 25% of the annual budget and are 13% lower than the first quarter of 2020. The main driver of this favourable variance is due the measures taken to minimize the impacts and spread of COVID-19 including; closure of facilities, service delivery changes, modified working environment for employees, redirected resources and casual and seasonal part-time layoffs.

The consolidated internal transfers to date show a favourable variance of \$589,145 or 28% lower than the first quarter budget allotment. Main drivers of this variance are the annual transfer to Insurance Reserve that is \$149K lower than anticipated budget, and transfer to reserve funds and transfers to capital have been lower than budgeted in Corporate Allocations.

Table 1 – 2021 First Quarter Operating Fund Variance by Source

	YTD Actuals	YTD Budget	YTD Variance in dollars	YTD Variance %	Annual Budget
	Millions		(Unfavourable)		Millions
Revenues	\$(20.2)	\$(21.0)	\$(857,692)	4%	\$(59.5)
Expenses	10.7	13.3	2,675,391	20%	43.0
Internal Transfers	1.5	2.1	589,145	28%	8.1
Total Operations	\$(8.0)	\$(5.6)	\$2,406,844	(43)%	

Overall the operating fund operations resulted in a favourable variance of \$2,406,844 from the first quarter budget allotment, which equates to an 43% variance.

Significant divisional variances that are greater than 15% are highlighted below:

- \$(53,855) Committees** – this unfavourable variance stems from an increase in legal fees for the Police Service Board of \$58K compared to budget for this quarter.
- \$885,361 Corporate Allocations** – while this favourable variance is minor at 5%, it is worth noting the following significant variances. Favourable variances include \$135K grant not budgeted for, \$639K transfers out not yet utilized, \$80K budgeted for community grants not yet paid, and \$141K in budgeted new debt expenses not used. This is offset by a \$133k increase in insurance premiums.
- \$409,274 Ontario Provincial Police** – this favourable variance is due to a decrease in the expected Services Billing of \$532K and \$88K in unbudgeted grants offset by an unfavourable variance of \$188K in other revenue.
- \$31,594 Clerks** – this favourable variance is mostly due to the compensation envelope. This is offset by a decrease from budget for marriage licence revenues (\$5.5K) and budgeted transfer from reserve of \$25K for the records management project that has not yet been utilized.
- \$40,333 Human Resources** – 47% of this favourable variance is due to the compensation envelope. Other smaller variances include outside services,

staff recognition events and corporate training which can vary depending on needs.

- \$78,017 **Finance** – this division had a favourable variance of \$144K due to the compensation envelope. This was offset by a \$15K capital transfer that has not yet been utilized, \$4K in professional fees not budgeted for and the remainder of the variance can be attributed to timing of expense occurrence and is expected to narrow by year-end.
- \$72,764 **Information Technology** – \$56K of this favourable variance is due to a decrease in expected software agreement fees. These can vary depending on the agreement payment terms. \$8K is due to the compensation envelope and the remaining variance can be attributed to timing of expense occurrence and is expected to narrow by year-end.
- \$16,020 **Crossing Guards** – this favourable variance is due to gapping in the compensation envelope as in-person learning was closed for 40% of the quarter.
- \$89,213 **Economic Development & Culture** – 20% of this favourable variance is due to the compensation envelope. Marketing and advertising expenses were down by \$12K due to limitations imposed by travel restrictions. As the Tourism Branding project is rolled out, and promotion of the community resumes, marketing and advertising expenditures expected to increase. \$27K in grant revenue was recognized in the first quarter that was not budgeted for. The remaining variance can be attributed to timing of expense occurrence and is expected to narrow by year-end.
- \$(130,818) **Facilities** – this unfavourable variance is a result of many factors. A significant decrease in wages results in a favourable variance (\$142K), and is offset by a significant decrease in revenues, specifically related to the recreation centres such as ice rentals. The division had a favourable variance related to the decrease in operating costs due to less use of the facilities. The overall unfavourable variances for the recreation facilities, other than compensation, was \$302K. The remainder of the variance can be attributed to timing of expense occurrence and is expected to narrow by year-end.
- \$92,219 **Recreation & Events** – This favourable variance is a result of a \$255K decrease in wage costs, which is offset by an unfavourable variance of \$219K related to revenues from the recreation programs. Additionally, partner services expenses are \$24K under budget and remaining variance is due to a decrease in supplies needed.
- \$153,084 **Fire** – 70% of this variance is due to compensation. Some other favourable variances include municipal agreements revenue up by \$33K,

and timing of expense occurrence which is expected to narrow by year-end. An unfavourable variance is an unbudgeted donation made for \$21K.

- \$71,535 **Library Services** – 85% of this variance is due to the compensation envelope. The libraries were closed for January and February and only offered curbside pickup at one location. Revenues are down \$24k in the first quarter, which has resulted in a decrease in the amount of related expenses.
- \$(19,531) **Planning** – Variance is due to a decrease in expected planning application fees.
- \$470,007 **Public Works** – \$200K of this favourable variance is related to winter control, \$95K is related to the compensation envelope, and \$37K is related to timing of maintenance and repairs of vehicles and equipment which is expected to narrow by year-end. The remaining variance is due to timing/needs of public maintenance such as tree maintenance and sidewalk repairs which is expected to narrow by year-end.
- \$122,022 **Transit** – \$39K of this favourable variance is due to revenues. A grant for \$81K was received which offset the revenue decrease of \$42k. Outside service expenses are down \$66k and vehicle maintenance is also down by \$24k. These gaps are expected to narrow by year-end.
- \$15,051 **Building** – This favourable variance is due to a \$27k decrease in compensation expenses, offset by a decrease in expected building permit revenue.

Overall, the 2021 first quarter operating fund favourable variance of 43% is stable given the measures taken to reduce the impact and spread of COVID-19. The first quarter variance is not indicative of a trend and is subject to change, especially given the unprecedented current pandemic. The financial position of the Town will continue to change throughout the balance of the year due to factors such as the impacts of COVID-19, weather related activity, utility and fuel usage and rates, tax write-offs, position vacancies and development activity.

Reporting quarterly on the operating fund variance supports Council in achieving its fiduciary responsibilities and the Strategic Plan's Strong Governance pillar and financial responsibility to balance the need for service and investment with fiscal restraint.

Strategic Alignment

Orangeville Forward – Strategic Plan

Priority Area: Strong Governance

Objective: This report supports the Town's objective of financial responsibility

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: Encourage and support inter-departmental collaboration and communication to facilitate the adoption of sustainable practices in the municipality

Notice Provisions

Not applicable

Financial Impact

There is no immediate impact as a result of the first quarter operating variance analysis.

Respectfully submitted

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Attachment(s): 1. 2021 First Quarter Operating Fund Variance