

**Subject: 2020 Third Quarter Operating Fund Variance**

**Department: Corporate Services**

**Division: Finance**

**Report #: CPS-2020-018**

**Meeting Date: 2020-11-23**

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### **Recommendations**

**That report CPS-2020-018 regarding the 2020 Third 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 September 30, 2020 and to summarize significant variances that have been identified during the third 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 – 2020 Third Quarter Operating Fund Variance provides a comparison of the actual operating results to the operating allotment as of September 30, 2020 by division. Table 1 below summarizes the third quarter operating fund results by source.

The consolidated revenues to date show an unfavourable variance of \$(2,712,767) or 5% lower than the third quarter budget allotment. Revenues to date represent approximately 82% of the annual budget and are 5% lower than the third quarter for 2019. Significant divisional variances are highlighted below.

The consolidated expenditures to date show a favourable variance of \$4,157,852 or 11% lower than the third quarter budget allotment. Expenditures to date represent approximately 65% of the annual budget and are 2% higher than the third quarter of 2019. The main drivers of this favourable variance are a result of 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 \$1,967,202 or 30% lower than the third quarter budget allotment. Main drivers of this variance are the annual transfer to Insurance Reserve that is \$64,935 lower than anticipated budget; transfer to reserve funds and transfers to capital have been lower than budgeted in Corporate Allocations and Water; and the unbudgeted transfer of \$100,000 from the Rate Stabilization Reserve approved by Council on March 23.

**Table 1 – 2020 Third Quarter Operating Fund Variance by Source**

	YTD Actuals	YTD Budget	YTD Variance in dollars	YTD Variance %	Annual Budget
	Millions		(Unfavourable)		Millions
<b>Revenues</b>	\$(49.1)	\$(51.8)	\$(2,712,767)	5%	\$(60.2)
<b>Expenses</b>	32.7	36.9	4,157,852	11%	50.7
<b>Internal Transfers</b>	4.5	6.5	1,967,202	30%	9.5
<b>Total Operations</b>	<b>\$(11.9)</b>	<b>\$(8.5)</b>	<b>\$3,412,287</b>	<b>40%</b>	

Overall the operating fund operations resulted in a favourable variance of \$3,412,287 from the third quarter budget allotment, which equates to a 40% variance. Approximately 86% of this favourable variance is due to gapping within the compensation envelope, which is approximately 13% lower than the third quarter allotment.

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

- \$50,790      Committees** – this favourable variance stems from reduced expenditures compared to the prior year and budget. Lower sustainability plan revenues resulted in lower expenditures
- \$758,555      Corporate Allocations** – while this favourable variance is minor at 2.3%, it is worth noting the following significant variances: favourable variances include interest income that is \$149K above the year-to-date budget, cost recoveries, which were not budgeted for, are \$102K and the unbudgeted transfer from the Rate Stabilization Reserve of \$100,000 authorized by Council on March 23<sup>rd</sup>. Unfavourable variances include Penalties and Interest on Taxes revenue that is \$150K below the year-to-date budget, Insurance expenses that are \$79K above the third quarter allotment, tax write-offs that are \$242K above the year-to-date budget, and Community Grants are \$27K greater than the annual budget.
- \$39,119      By-Law Enforcement** – approximately 96% of this favourable variance is due to gapping within the compensation envelope, the balance of variances is due to timing issues.

\$93,661	<b>Clerks</b> – approximately 77% of this favourable variance is due to gapping within the compensation envelope. Another significant variance is Wedding Ceremony revenues which are tracking \$11.5K or 97% below year-to-date budget. Equipment repairs are also \$6K below year-to-date budget.
\$280,576	<b>Finance</b> – gapping within the compensation envelope resulted in a \$308K favourable variance. Unfavourable variances include \$17K in professional fees for assessment appeal management and overall revenues are tracking slightly below budget by \$25K.
\$51,757	<b>Information Technology</b> – approximately \$115,796 of this favourable variance is due to gapping in the compensation envelope. An unfavourable variance is \$45k related to COVID-19 expenditures which will be covered through SRF Phase 1 funding.
\$191,646	<b>Crossing Guards</b> – this favourable variance is due to gapping in the compensation envelope.
\$100,045	<b>Parks</b> – approximately 52% of this favourable variance is due to gapping in compensation. Overall revenues are tracking \$56K below year-to-date budget.
\$62,999	<b>Recreation &amp; Events</b> – while this favourable variance is minor at 6.6%, it is worth noting the following significant variances. Gapping within the compensation envelope resulted in a \$666K favourable variance. Overall aquatics revenues resulted in an unfavourable variance of \$387K. Recreation Programming revenues resulted in an unfavourable variance of \$32K Summer Camp revenues are below budget by \$266K and Lifestyle revenues resulted in an unfavourable variance of \$46K. Non-compensation related expenses show a \$73K favourable variance.
\$(105,303)	<b>Transit</b> – this unfavourable variance is primarily due to transit revenues tracking below year-to-date budget by 40% or \$139K.
\$(124,330)	<b>Building</b> – this unfavourable variance is primarily due to Building Permit revenues tracking below year-to-date budget by 40% or \$154K and a favourable variance of \$21K within the compensation envelope.
\$142,680	<b>Economic Development &amp; Culture</b> – This favourable budget is due to favourable variances in grants received \$137k above the year-to-date budget, and advertising and promotion costs \$13k below the year-to-date budget. An unfavourable variance in partner contributions \$45k lower than the third quarter budget allotment.

\$10,108	<b>Cemetery</b> – Favourable variances include revenues \$4.7K over the third quarter budget, outside services expenses \$13K below the year-to-date budget. There is a \$15K unfavourable variance in compensation.
\$276,733	<b>Water</b> – approximately 60% of this favourable variance is due to a gap in compensation. Overall revenues are tracking \$836K or 17% lower than the year-to-date budget.
\$267,744	<b>Wastewater</b> – approximately 66% of this favourable variance is due to a gap in compensation. Overall revenues are tracking \$135K or 3.6% lower than the year-to-date budget.
\$224,014	<b>Library Services</b> – Overall revenues are down \$44k or 29% from year-to-date budget. 63% of this variance is due to a gap in compensation. In addition, maintenance expenses are approximately \$50k below the third quarter budget allotment.

Overall, the 2020 third quarter operating fund favourable variance of 40% is stable given the measures taken to reduce the impact and spread of COVID-19. The third 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.

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## 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

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**Notice Provisions**

Not applicable

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**Financial Impact**

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

Respectfully submitted

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**Attachment(s):** Not Applicable