

Subject: 2022 Second Quarter Operating Fund Variance

Department: Corporate Services

Division: Finance

Report #: CPS-2022-057

Meeting Date: 2022-08-08

Recommendations

That report CPS-2022-057 regarding the 2022 Second Quarter Operating Fund Variance be received.

Background

The purpose of this report is to provide Council with a corporate summary of the Operating Fund performance for the period ending June 30, 2022 and to summarize significant variances that have been identified during the first and second quarters.

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

The overall operating fund operations resulted in a favourable variance of \$2,619,872 or 23%. This is largely due to less expenditures than expected. The two key areas for this variance are reserve transfers, which is a timing issue and will narrow as capital projects reach completion, and a significant gap in the compensation envelope. Further details are provided in the body of this report.

Appendix 1 – 2022 Second Quarter Operating Fund Variance provides a comparison of the actual operating results to the operating budget allotment as of June 30, 2022 by

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

The consolidated revenues to date are \$806,899 or 1.9% lower than the second quarter YTD budgeted allotment. Revenues to date represent approximately 67% of the annual budget and are 3% higher than the second quarter YTD for 2021.

The consolidated expenditures to date show a variance of \$2,843,657 or 10.7% lower than the second quarter YTD budget allotment for spending. Expenditures to date represent approximately 45% of the annual budget and are 10% higher than the second quarter YTD of 2021.

The consolidated internal transfers to date are \$583,114 or 15.5% lower than the second quarter YTD budget allotment. The main drivers of this variance are due to reserve and capital transfers. The transfers to reserve funds and to capital have been lower than budgeted in Corporate Allocations. These types of transfers only occur when funding is needed.

Table 1 – 2022 Second Quarter Operating Fund Variance by Source

	YTD Actuals	YTD Budget	YTD Variance in dollars	YTD Variance %	Annual Budget
	Millions				Millions
Revenues	\$40.8	\$41.6	\$(806,899)	(1.9%)	\$60.9
Expenses	(23.8)	(26.7)	2,843,657	10.7%	(53.5)
Internal Transfers	(3.2)	(3.8)	583,114	15.5%	(7.4)
Total Operations	\$13.8	\$11.2	\$2,619,872	23.4%	

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.

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

- \$73,817 Committees** – Much of the difference is from timing of expenses, as some spending has not occurred to date. Access Orangeville has underspent on special projects by \$15K, the Emergency Committee has underspent on emergency planning by \$5K and the Sustainable Action Team has underspent on special projects by \$6K. These differences are expected to narrow by year-end. The Police Service Board is below the budget professional fees by \$26K. The differences in the Police Service Board are likely to remain.
- \$1,581,224 Corporate Allocations** – while this favourable variance is minor at 5.3%, it is worth noting the following significant variances. The most noteworthy variances include, the Town budgeted \$238K in debt payments that have

not incurred, \$836K transfers from reserves and levies to capital remains to be recorded to fund capital projects as they achieve completion and \$227K in supplementary tax adjustments. Majority of variances in Corporate Allocations are due to timing, however, the variances in debt payments will remain.

- \$135,658 **Finance** – The finance division is currently \$207K lower than budget for compensation. This is due to several vacant positions throughout the year that were budgeted for but, have not yet been filled. This is offset by \$18K in professional fees related to property assessments that were not budgeted for and \$30K in transfers to capital that has not yet been utilized. The compensation and professional fees variances will remain, while the transfers to capital variance is a timing issue.
- \$67,009 **Parks** – Compensation expenses are down \$28K compared to budget, this difference will remain. Other factors for this variance are underspending in playground and park improvements by \$8K, supplies by \$7K and community matching funds grants by \$8K. There was also \$8K more in revenue than budgeted. These differences appear to be timing in nature and will narrow by year-end.
- \$149,939 **Recreation & Events** – The majority of this variance is due to several vacant positions through the year, resulting in compensation being \$165K under budget. This is offset by lower revenue than expected for recreation programming due to closures at the beginning of the year from COVID-19. These variances are expected to remain for the rest of the year. There are other variances that are less significant that are temporary in nature.
- \$64,244 **Planning** – \$47K of this variance is from more revenue than anticipated. Most of this revenue is planning application fees. Another factor in the variance is underspending in computer operations and supplies for permit and planning automation by \$10K. It appears that these differences are due to timing and will narrow by year-end.
- \$26,192 **Cemetery** – Variances in this division are due to timing and use of services by the community as well as the Town. Revenues are higher than the budget by \$15K and expenses are down \$11K most of which is outside services. The difference in expenses is expected to narrow by the end of the year as services occur.
- \$(56,054) **Transit** –The Town experienced less user fee revenue than expected by \$22K. Cost recoveries are lower than the budget by \$16K due to a timing difference as some costs are expected to be recovered later in the year. Fleet maintenance costs are currently \$20K over the budgeted amount, and snow removal is over budget, however these are timing differences, and the variance is expected to narrow by the end of the year.

\$30,017 **Building** – Permit revenues are higher by \$5K compared to the budget which is reasonable given we cannot accurately estimate the number of permits required each year. Remainder of variance is due to lower compensation than budgeted, this difference is expected to remain for the rest of the year.

Overall, the 2022 second quarter operating fund variance of \$2,619,872 is stable. The second quarter variance is not indicative of a trend and is subject to change, especially given the unprecedented current pandemic and economic conditions. 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 second quarter operating variance analysis.

Respectfully submitted

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Attachment(s): 1. 2022 Second Quarter Operating Fund Variance