



To: Chair and Members
Finance and Corporate Services Committee

From: Julie Stevens
Commissioner of Finance and Corporate Services

Date: September 21, 2020

Subject: Operating Budget Variance Report – June 30, 2020

Report: FCS-7-2020-1

Recommendation

THAT the Operating Budget Variance Report as at June 30, 2020 **be received**.

Origin

Policy AD:52 Operating Budget Administration requires the Commissioner of Finance and Corporate Services to provide each Standing Committee and Council with a written status report on the yearly budgets for the quarters ending in June, September and December.

More detailed variance analysis is completed by staff in order to manage operations and to provide the summarized information presented in this report.

Analysis

Attached to this report are schedules that outline the significant forecasted year-end budget variances as at the period ending June 30, 2020. The schedules provide a summary view by program net levy for both the tax and rate supported operating budgets.

- The Tax Supported Operating Variance Net Levy Summary shows the year-to-date (YTD) actuals ending June 30, 2019 and the annual revised budget for 2019, YTD actuals ending June 30, 2020 and the annual revised budget for 2020. The next two columns compare the YTD actuals to the annual budget in terms of dollars remaining in the budget and the percentage of budget spent. The final column indicates projected annual variance.
- The second and third pages are the Rate Supported Operating Variance Net Levy Summaries, which are in the same format as the first summary, and show the bottom line net levy for each program/division within Water, Wastewater and Solid Waste.

Financial Considerations

The following chart serves to summarize the variances in each section.

Department	Net Levy Variance Favourable/ (Unfavourable)
Finance and Corporate Services and Non-Program	\$820,000
Public Works – including Administration, Transportation – Roads, Port Carling Locks and Environment General	(\$152,140)
Community and Planning Services	\$263,000
Health Services	\$48,000
Airport	\$0
Total Tax Supported Budget Variance	\$978,860
Public Works – Solid Waste	(\$1,137,810)
Public Works – Water and Wastewater	\$610,000
Total Rate Supported Budget Variance	(\$527,810)
Total Corporate Budget Variance	451,050

Overall, staff are forecasting a favourable variance at year-end of \$451,050 across the organization (0.3% of expenditures). The Tax Supported operations are expected to be favourable to budget by \$978,860 or 0.8% of expenditures. The Rate Supported operations are expected to be unfavourable to budget by \$527,810, which is made up of favourable variances for Water and Wastewater of \$610,000 or 2.1% of expenditures and an unfavourable variance for Solid Waste Operations of \$1,137,810 or 6.5% of expenditures. The major contributors to the variances are noted by Department or Service below.

To date there is almost \$2.5 million recorded in COVID-19 revenue that has come from various provincial programs, of which more than \$2 million has been spent under the main categories of Homelessness, Ontario Works, Children's Services and Health Services.

In August 2020, the Province announced funding for emergency assistance to municipalities to respond to COVID-19 impacts as part of the federal-provincial Safe Restart Agreement. The District will be receiving the following additional funding as a result of this program:

- Municipal Operating Funding (Phase 1): \$3,002,100
- Social Services Relief Funding (SSRF) (Phase 2): \$786,693
- Transit Funding (Phase 1): \$16,242
- Safe Restart Funding for child care sector: \$602,460

In addition, we anticipate receiving additional funding for long term care and paramedics, however these amounts have not yet been finalized. It is expected that all of the funding will be fully utilized between 2020 and 2021 for COVID-19 related expenses. This report has identified anticipated variances related to general operations as well as COVID impacts and staff expect that the majority of impacts will be mitigated by the additional funding received, if eligible.

Tax Supported Budget Variance

Within Finance and Corporate Services and Non-Program, there is a favourable variance of \$820,000 being forecast for year-end. The most significant contributors to this net variance are:

- The Continuous Improvement Unit is forecast to be under budget by at least \$20,000 for the year due to staffing turnover and related gapping.
- Provincial Offences is projecting an unfavourable variance of \$500,000 for year-end based on a deficit in Fines revenue of \$535,000, offset by favourable variances of \$35,000 for various court costs, such as Adjudication and Prosecution Services. This net variance will be offset by COVID-19 funding, as it is attributable to the pandemic with the legislated extension of timelines, which includes the inability to collect default fines under the emergency order that has been in place since March 16, 2020. Revenue collection efforts will be re-instated in September or October 2020 as directed by the Province.
- Investment Income will be favourable to budget by more than \$800,000 due to the redemption of Scotia asset investments, in preparation for moving to Prudent Investor.

In summary, at this time, the Finance and Corporate Services and Non-Program departments are forecast to be \$820,000 favourable for year-end.

Within Public Works Tax Supported, there is an unfavourable variance of \$152,140 projected for year-end, which is comprised of the following significant items:

- Within Transportation – Roads, there is an overall unfavourable variance of \$96,000. Traffic has a projected unfavourable variance for line painting contract and subcontract work of \$284,000 which is partially offset by Personnel costs which are projected to be favourable by \$40,000. Staff have reduced spending in Roads Paved by \$80,000 and Stormwater by \$120,000 to partially mitigate the overrun. The Maintenance and Drainage section is also projected to be favourable in Personnel by \$60,000. Although Winter Control costs are more in line with the budget than last year for first half of the year, contracted services are projected to be unfavourable by \$64,000. Winter control is of course dependent on weather in the last quarter. Roads Admin has projected unfavourable variance for Miscellaneous Fees of \$48,000 for Development Fees not meeting budget. At this time, it is anticipated that all other Transportation categories will be on budget at year end.
- Port Carling Locks variance is unfavourable by \$63,140. Personnel costs are projected to be \$40,000 over budget based on year-to-date results, which includes the cost of pairing staff to avoid certain working alone situations. Subcontractor costs are unfavourable by \$23,140 due to maintenance issues with small locks and lighting at large locks. Staff will investigate and take corrective action to mitigate the unfavourable variance. It was necessary to waive lock fees for several weeks at the start of the season as measures were put into place to protect staff from potential pandemic exposure. The estimated impact to June is approximately \$14,000 in fees revenue and will be offset by COVID-19 funding.
- Hauled Sewage Operations has an overall favourable variance of \$7,000 primarily for projected lower Personnel costs of \$30,000. Lower hauler volumes are projected

to result in an unfavourable revenue variance of \$74,000, partly offset by increased recoveries of \$51,000 due to higher volumes of Rosewarne landfill leachate for a net revenue shortfall of \$23,000.

In summary, the Tax Supported Public Works budgets are unfavourable by \$152,140.

Within Community and Planning Services, there is a favourable variance of \$263,000 forecast for year-end made up of the following significant items:

- Homelessness is forecast to be on budget at year-end. Social Services Relief Funding of \$2,099,100 for April 1, 2020 to March 31, 2021 is included within this division and is expected to be fully utilized to support clients with finding or maintaining shelter and receiving other emergency assistance.
- Community Initiatives such as Pay It Forward and Community Enhancement Grants were on hold during the first three months of COVID-19, while staff efforts were focused on the front line for service delivery to the most vulnerable population. These programs were rolled out later in the summer and were the subject of subsequent staff reports. The full budget is expected to be spent by year-end.
- The Ontario Works (OW) Financial program is under budget with the caseload being lower than budgeted by approximately 38 cases. This reflects flow through monthly benefits to clients, but does not include programming. As these costs are now fully uploaded to the province, there will be no variance. Additionally, from April to the end of July, OW clients received \$100/month for singles and \$200/month for families through COVID-19 funding.
- The Ontario Works Program section is forecast to be under budget by \$263,000 at year-end. Favourable variances for Personnel vacancies and costs related to Travel, Conferences, Program Supplies and Services are the result of the Resource Centres being closed and reduced Employment supports. These variances are partially offset by unfavourable variances in Cell Phones, which have been provided to staff working at home and Courses, which are being taken virtually by staff at home.
- All other programs are forecast to be on budget and the variances to date are mainly due to timing of entries.

In summary, at this time, the Community and Planning Services department is forecast to end the year in an overall favourable position of \$263,000.

Within Health Services, there is a favourable variance projected of \$48,000, which is mainly comprised of the following:

- Community Emergency Services may be over budget for year-end by \$145,000 mainly due to COVID-19 items such as Assessment Centre rental and tents for drive-through testing, as well as hand sanitizer and masks. These costs will be financed by COVID-19 or Safe Restart funding.
- The Simcoe Muskoka District Health Unit budget will have an unfavourable variance of \$12,000 based on the annual funding notice, which was received after the budget was approved.
- Health Strategies and Initiatives will be under budget by approximately \$60,000 due to delaying the hiring of a new Manager for this division.

- Pines Operations is forecast to be unfavourable at year-end due to COVID-19 mainly for Nursing personnel costs and supplies, such as masks, face shields and gowns. These costs will be fully funded by pandemic funding.

In summary, at this time, the Health Services department is projected to be in an overall favourable position of \$48,000 at year-end.

Within Airport, there is an unfavourable year-end variance forecast of \$190,000. The main contributor to the unfavourable variance is Ramp Fees and other revenues, including Advertising that will be down by \$227,000. Additionally, net fuel sales are expected to be below budget by \$112,000 due to the Canada/U.S. border being closed because of COVID-19. These unfavourable variances are partially offset by favourable variances for Personnel of \$133,000 for new positions that were delayed due to the pandemic and approximately \$16,000 savings in Operating Supplies due to the suspension of Porter Airlines service. This unfavourable variance is COVID-19 related and will be financed by eligible funding.

Within the overall tax supported operating budget, staff are forecasting a favourable variance at year-end of \$978,860.

Rate Supported Budget Variance

Solid Waste Management

Within Public Works Rate Supported – Solid Waste, there is an unfavourable variance of \$1,137,810 projected at year-end.

Overall, expenditures are \$1,054,810 above budget. Personnel costs are currently on budget, however, the Engineering and Public Works Committee approved a number of emergency staffing positions in Report PW-5-2020-8. For this variance report, staff has forecasted an unfavourable variance of \$85,000. However, this forecast will be updated for the cost of the new positions in the September variance report. The volume of leachate is higher than budgeted, resulting in \$90,810 more in haulage and treatment costs than budgeted. Waste and recycle haulage is \$35,000 unfavourable overall, including the Lakeside pilot, due in part to increased tonnage. Security costs are projected to be \$17,000 above budget. Fleet is projected to be \$27,000 more than budgeted due to additional short term rentals to manage physical distancing. The curb related service issues requiring subcontracted service will result in an unfavourable variance of \$825,000. There is a favourable variance of \$50,000 for hazardous waste disposal as a result of closure of the main site for April through early May and reduction in operation to 3 days per week since that time.

Total revenues are projected to be \$83,000 less than budget. Landfill tip fee revenues are projected to be \$27,000 more than budget, mainly under Wood Chipping fees. Offsetting this is recyclables sale rebates which is projected to be unfavourable to budget by \$110,000 due to the continued decline of market rates. Mattress diversion tip fees may be lower than budgeted but the related subcontractor fees should be similarly reduced.

In summary, Rate Supported Solid Waste budget is projected to be unfavourable by \$1,137,810.

Water and Wastewater

Within Public Works Rate Supported – Water and Wastewater, there is a favourable variance of \$610,000 projected for year-end.

Total expenditures are favourable by \$210,000. Personnel is expected to be favourable by \$150,000 due primarily to projected vacancies throughout the year. Biosolids disposal is projected to be favourable by \$60,000 due to improved plant processes and centrifuge replacement at Golden Pheasant plant.

Total revenues are projected to be favourable by \$400,000 overall. Consumption revenues are favourable by \$394,000 due to 2.3% higher volumetric charges and fixed user fees are favourable by \$64,000. However, penalty waivers are projected to incur a budget shortfall of \$58,000.

In summary, the Rate Supported Water and Wastewater budgets are projected to be favourable by \$610,000 at year-end.

Summary

In summary, staff are forecasting an overall favourable variance at year end of \$451,050 or 0.3% of expenditures across the organization. However, there are a number of factors which can impact this estimate over the remainder of the year including the impact of Safe Restart and other pandemic funding. The third quarter variance report is scheduled to be delivered during the November committee cycle.

Communications

Operating Budget Variance Reports are submitted to the Standing Committees and Council for results as at June 30th, September 30th and December 31st of each year.

Strategic Priorities

Click on the icons below to view strategies under each priority area.

				
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Respectfully submitted,

Original signed by:

Julie Stevens, CPA, CA, Commissioner of Finance and Corporate Services; and
Samantha Hastings, MCIP, RPP, Interim Chief Administrative Officer

Tax Supported Operating Variance Net Levy Summary

All General

Run Date: 9/17/20 4:27 PM

	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Finance and Corporate Services							
Elected Officials	370,405	685,121	305,286	675,707	370,421	45.2%	0
Administration/CAO	281,131	562,025	292,626	585,039	292,413	50.0%	0
Continuous Improvement Unit	128,085	298,544	116,905	302,435	185,530	38.7%	20,000
Corporate Administration	258,962	571,112	275,993	663,242	387,249	41.6%	0
Human Resources	213,258	612,243	166,432	613,174	446,742	27.1%	0
Finance Services	(7,654)	304,945	(66,203)	290,130	356,333	(22.8%)	0
Facility Services	199,388	460,337	162,691	481,174	318,483	33.8%	0
Information Technology Services	83,085	14,491	(114,193)	63,893	178,086	(178.7%)	0
Office Services	(4,167)	0	46,375	0	(46,375)	0.0%	0
Fleet Operations	(28,869)	0	18,801	1,429	(17,372)	1,315.7%	0
Property Assessment Services	1,188,903	2,377,805	1,189,163	2,382,505	1,193,342	49.9%	0
Accessibility	0	34,860	11,037	35,054	24,017	31.5%	0
Legal Services	298,024	611,296	350,850	682,749	331,899	51.4%	0
Provincial Offences	(169,602)	(384,329)	(89,783)	(354,447)	(264,664)	25.3%	0
Clerk/FOI	139,685	345,702	141,273	345,069	203,796	40.9%	0
Veterinarian Assistance	2,900	2,900	0	2,900	2,900	0.0%	0
Fire	358	800	186	800	614	23.3%	0
Police Services	7,778,827	15,665,131	8,097,562	15,483,402	7,385,840	52.3%	0
Sub total	10,732,719	22,162,983	10,905,001	22,254,255	11,349,254	49.0%	20,000
Non-Program							
Financial Services	2,121,204	4,274,376	1,391,868	3,973,848	2,581,980	35.0%	800,000
Unconditional Grants	(930,300)	(387,770)	(164,850)	(329,700)	(164,850)	50.0%	0
Supplementary Taxes	(83,063)	(813,520)	(3,850)	(832,220)	(828,370)	0.5%	0

TS Variance Net Levy Summary New

Tax Supported Operating Variance Net Levy Summary

All General

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	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Sub total	1,107,841	3,073,086	1,223,168	2,811,928	1,588,760	43.5%	800,000
Public Works Administration							
Engineering Support	(402)	0	832	0	(832)	0.0%	0
Design/Survey	42,779	53,300	54,506	83,593	29,087	65.2%	0
Sub total	42,377	53,300	55,338	83,593	28,255	66.2%	0
Transportation - Roads							
Traffic	326,782	1,151,210	285,435	1,043,156	757,721	27.4%	(244,000)
Roads - Paved	906,609	1,186,066	625,947	1,356,209	730,262	46.2%	80,000
Structures - Bridges and Culverts	79,449	450,117	58,370	424,673	366,303	13.7%	0
Maintenance and Drainage	95,019	777,079	152,740	673,407	520,667	22.7%	60,000
Stormwater Management	98,349	429,968	50,147	390,809	340,662	12.8%	120,000
Winter Control	3,601,208	4,312,263	2,850,705	4,522,714	1,672,009	63.0%	(64,000)
Disaster Recovery	415,068	0	0	0	0	0.0%	0
Roads Financing and Administration	8,949,726	17,992,219	9,304,295	18,821,130	9,516,835	49.4%	(48,000)
Sub total	14,472,210	26,298,922	13,327,639	27,232,098	13,904,459	48.9%	(96,000)
Port Carling Locks							
Port Carling Locks	296,713	623,729	309,560	699,572	390,012	44.2%	(63,140)
Sub total	296,713	623,729	309,560	699,572	390,012	44.2%	(63,140)

Tax Supported Operating Variance Net Levy Summary

All General

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	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Environment General							
Environment Financing	1,323,500	2,647,000	1,349,573	2,699,146	1,349,573	50.0%	0
Hauled Sewage Operations	109,704	430,077	82,197	392,700	310,503	20.9%	7,000
Sub total	1,433,204	3,077,077	1,431,770	3,091,846	1,660,076	46.3%	7,000
Community and Planning Services							
Planning and Policy	449,123	1,046,871	393,522	1,067,507	673,985	36.9%	0
Economic Development and MTMA	165,873	333,545	165,161	349,269	184,108	47.3%	0
Water Strategy	225,034	539,913	215,380	548,391	333,011	39.3%	0
Geomatics	(25,839)	15,969	(14,880)	0	14,880	0.0%	0
911 Addressing	86,000	206,442	113,998	221,401	107,403	51.5%	0
Community Housing	1,506,702	2,745,188	1,356,473	2,782,792	1,426,319	48.7%	0
Affordable Housing	415,971	1,741,808	(81,579)	2,487,478	2,569,057	(3.3%)	0
Homelessness	97,763	127,507	10,158	127,510	117,352	8.0%	0
Seniors Programs and Services	77,425	172,933	89,047	285,018	195,971	31.2%	0
Community Transportation	44,794	6,428	23,781	50,749	26,968	46.9%	0
Community Initiatives	71,234	271,819	70,700	234,747	164,047	30.1%	0
Ontario Works Financial Assistance	1,162	26,000	(15,628)	0	15,628	0.0%	0
Ontario Works Programs	946,200	2,154,302	814,017	2,241,140	1,427,123	36.3%	263,000
MED Childcare Service Agreement	296,271	419,880	208,021	459,234	251,213	45.3%	0
MED EarlyON	7,815	0	6,851	16,136	9,285	42.5%	0
Muskoka Home Childcare Agency	(31,561)	0	14,328	(1)	(14,329)	(1,432,800.0%)	0
Strengthening Communities	2,284	70,668	108,795	122,704	13,909	88.7%	0
Sub total	4,336,251	9,879,273	3,478,145	10,994,075	7,515,930	31.6%	263,000

TS Variance Net Levy Summary New

Tax Supported Operating Variance Net Levy Summary

All General

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	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Health Services							
Paramedic Services	2,603,105	5,842,961	2,302,447	6,066,775	3,764,328	38.0%	0
Community Emergency Plan	18,252	43,825	146,133	54,000	(92,133)	270.6%	0
Health Unit	696,588	1,418,000	754,650	1,497,348	742,698	50.4%	(12,000)
Hospital Financing	300,000	600,000	300,000	600,000	300,000	50.0%	0
Health Strategies and Initiatives	59,862	0	90,198	272,200	182,002	33.1%	60,000
Pines Operations	718,178	1,273,409	931,601	1,387,016	455,415	67.2%	0
Pines Debt	126,173	250,684	124,517	250,684	126,167	49.7%	0
Fairvern	0	61,335	0	61,335	61,335	0.0%	0
Sub total	4,522,158	9,490,214	4,649,546	10,189,358	5,539,812	45.6%	48,000
Airport							
Airport	483,568	1,133,366	481,222	1,069,133	587,911	45.0%	0
Sub total	483,568	1,133,366	481,222	1,069,133	587,911	45.0%	0
Total All General	37,427,041	75,791,950	35,861,389	78,425,858	42,564,469	45.7%	978,860

Rate Supported Operating Variance Net Levy Summary

Solid Waste Levy

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	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Solid Waste Administration and Financing	1,951,456	4,053,245	2,057,468	4,338,301	2,280,833	47.4%	(85,000)
Landfill Sites	(844,830)	(1,341,490)	(754,799)	(1,498,635)	(743,836)	50.4%	(90,810)
Transfer Stations	1,275,057	2,882,880	1,216,658	2,937,143	1,720,485	41.4%	(89,000)
Depots	51,304	185,127	41,874	175,577	133,703	23.8%	
Remote Bins	303,687	1,059,626	313,706	1,050,046	736,340	29.9%	12,000
Curbside Collection	2,051,190	4,105,427	2,113,939	4,248,683	2,134,744	49.8%	(825,000)
Recycling and Diversion	38,821	245,090	132,945	718,325	585,380	18.5%	(60,000)
Total Solid Waste Levy	4,826,685	11,189,905	5,121,791	11,969,440	6,847,649	42.8%	(1,137,810)

Rate Supported Operating Variance Net Levy Summary

Water and Wastewater Levy

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	2019 June YTD Actuals	2019 Annual Budget	2020 June YTD Actuals	2020 Annual Budget	Budget Variance	Percent Spent	Projected Annual Variance Fav/ (Unfav)
Water and Wastewater Levy							
Operations Summary Water	2,754,885	5,815,395	2,523,791	5,970,273	3,446,482	42.3%	75,000
Support Services, Revenue and Capital Financing Water	(816,617)	(2,137,990)	(886,865)	(2,176,847)	(1,289,982)	40.7%	144,000
Operations Summary Wastewater	2,914,489	6,790,715	2,589,399	6,910,479	4,321,080	37.5%	135,000
Support Services, Revenue and Capital Financing Wastew	378,671	1,835,453	320,560	1,681,595	1,361,035	19.1%	256,000
Total Water and Wastewater Levy	5,231,428	12,303,573	4,546,885	12,385,500	7,838,615	36.7%	610,000
Total Water and Wastewater Levy	5,231,428	12,303,573	4,546,885	12,385,500	7,838,615	36.7%	610,000