



Town of Erin

Corporate Report

Department: Corporate Services	Report Number: F2020-05
Business Unit: Finance	Meeting Date: 4/21/2020
Presented/ Prepared By: Ursula D'Angelo, Director of Finance & Treasurer	

Subject

Fourth Quarter Variance Report Ending December 31, 2019

Recommendation

Be it resolved that Council hereby receive report number F2020-05 "*Fourth Quarter Variance Report Ending December 31, 2019*" for information;

And that the Operating surplus of \$422,792 be transferred and equally split between the Tax Rate Stabilization Reserve and the Infrastructure Renewal Reserve;

And that Council direct staff to fund capital projects for the elevator at Town Hall for \$340,585 and dump truck \$239,086 from Working Capital Reserve for \$203,761, from Tax Rate Stabilization for \$100,000 and the remaining \$275,910 from Infrastructure Renewal Reserve;

And that Council direct staff to transfer \$479.15 to Let's Get Hillsburgh Growing reserve due to surplus;

And that Council direct staff to transfer \$502.17 to Erin BIA reserve due to surplus;

And that Council approve change to funding allocation for the Water Environmental Assessment of the \$604k budget to 90% Development Charges-Administration and 10% Water Lifecycle Reserve;

And that Council direct staff to change the funding of the 5th line rural upgrade to 50% from Development Charges – Transportation and 50% from Gas Tax Grant;

And that Council direct staff to create a new reserve fund called "Modernization Grant" and transfer unspent funds of \$524k;

And that Council direct staff to create a new reserve fund called "Waste Water Treatment Plant Reserve Fund";

And that CAO be authorized to withdraw from the Waste Water Treatment Plant Reserve Fund;

And that \$29k property sales that were not budgeted with the recommendation that net amount be transferred to the Infrastructure Renewal Reserve;

And that Council direct staff to move forward to 2020 the list of capital projects in Appendix B;

And that Council approve the 2020 Capital Project list in Appendix C.

Background

This report is to provide Council with financial results of the Operating (Appendix A) and Capital Budget (Appendix B) for the year ending December 31, 2019. Furthermore, for Council consideration, Appendix B lists recommended capital projects to be forwarded to 2020. Appendix C includes capital projects forwarded from 2019 and 2020 capital projects as approved by Council.

Operating Results by Program

The overall financial results for the Town of Erin is a surplus of \$423k for the year ending December 31, 2019. Total Program Net results were on target at 94% with larger variances in Corporate Services, Economic Development, Roads, Fire & Emergency Services and Parks and Recreation. Non-departmental net results were slightly higher at 101% due to smaller transfers for capital projects and PILS and Supplementary Taxes that did not meet projections. Variance explanations will be provided below for departments that had less than 90% or greater than 110% of budget and \$10,000 variance.

Corporate Services – Net Operations Result Underspent by \$291,598 or 79%

Labour costs and other expenses had the largest variance of \$195k related to vacancies during the year. In addition, there were no actuals spent on Contingency account grouping for \$35k that was budgeted in anticipation to changes in labour costs from previous Provincial government announcements that did not materialize. There was also a favourable variance of \$24k for insurance deductible that was not needed. These variances were offset with variances in Other Expense which is mostly related to training opportunities for new and existing staff to support development and legal fees that were higher than anticipated due to ongoing corporate matters.

Economic Development – Net Operations Result Underspent by \$50,592 or 77%

The net variance was mostly from transfers from reserves. One of the transfers was from the Economic Development Reserve to fund the Economic Development Strategy. Also, there was a transfer from Main Street Revitalization of \$35k to fund the Community Improvement Plan of \$40k. The reason for the difference is that a \$5k grant from the County of Wellington for one project was grouped with Grants.

Advisory Committees – Net Operations Result Underspent \$18,811 or 77%

Advisory Committees are provided with a yearly budget. The net result is reflective of fundraising efforts and transfers from the reserve account as approved by Council Resolution #19-098 related to heritage designation of the former Burn's Presbyterian Church property. Also, as in previous years, Council approves any unspent funds to be transferred to a respective reserve. This year, Let Get Hillsburgh Growing (LGHG) has

a \$479.15 and Erin BIA has \$502.17 surplus available to be transferred to their corresponding reserves.

Planning – Net Operations Result Underspent \$77,200 or 71%

Net Operating result was mostly due to higher than expected Miscellaneous Revenues caused by recognizing \$42k as revenues for unclaimed deposits that were greater than five years. This is a one-time revenue following the recommendations from auditors. In addition, there were large variances in expenditures between account groupings. Consulting services was underspent by \$92k due to the review of the official plan that was postponed to 2020 and municipal standards review. All of these favourable variances were offset by unplanned spending of \$63k in legal fees for LPAT Appeals (Local Planning Appeal Tribunal) for several ongoing cases. These costs are difficult to predict, however, usually there is a \$30k in the base budget in consulting services that can be used for planning appeals. The other unfavourable variance was in labour costs that was higher than budget because the shared staff resource had greater activities related to planning.

Animal Control - Net Operations Result Underspending by \$14,453 or 50%

There was an unfavourable variance in revenues where we did not meet the budgeted amounts in Misc. Revenue. This revenue is related to wolf claims and livestock fees that are difficult to predict. The other variance was in expenses where we spent only 61% of budget directly related to the service agreement with the Ontario Society for the Prevention of Cruelty to Animals (OSPCA Orangeville). Part of the agreement is a fee to pick up stray dogs that had a lower volume in 2019.

Fire and Emergency Services - Net Operations Result Overspending by \$52,121 or 105%

Revenue was higher than budget by \$67k mostly due to a variance in Lease Agreements account grouping because of the East Garafraxa agreement where one charge of \$25k was related to 2018 and the remaining variance was due to higher volume of calls.

Expenditures were higher by \$119k mostly due to vehicle maintenance costs higher by \$48k due to the aging fleet of fire vehicles. A variance of \$30k was in labour costs due to a change in Workers Safety and Insurance Board (WSIB) rates for volunteer firefighters, and training for the new fire truck and emergency calls that required longer stays at scenes. There was also an unfavourable variance in general maintenance account grouping mostly due to winter control contract due to an active winter season in early part of 2019. The remainder of the variance was in General Maintenance due to building repairs such as repairing the steel roof in the Erin Fire Station pump house and in Service Agreements account grouping as a result of radio dispatch agreement that was not captured during the 2019 budget process and is included in 2020 Budget.

Roads – Net Operations Result Overspent \$137,408 or 105%

The net result was a combination of variances adding to \$145k mostly in expense account groupings. The following were unfavourable variances:

- Sanding was \$124k over spent due to icy winter at the beginning of the year and in preparation for the winter season at the end of the year.
- Vehicle maintenance was higher than budget by \$58k due to necessary repairs to an aging fleet.
- Purchased services was higher than expected because of culvert maintenance activities and consulting services for the Ontario Structure Inspection Manual (OSIM) report and Structure 011 grant application.
- Fuel consumption was \$19k higher than budget due to winter snow plowing and sanding activities in the early part of 2019.

All of the above variances were partially offset by Labour costs which were \$127k lower than expected mainly due to vacancies.

Revenues were 94% of budget, with significant variances offsetting each other. Gravel levy revenue was \$51k higher than budget due to higher volume and a new rate to calculate the Gravel Levy. Transfers from DC Reserves were lower than budget because of debt payments for Station Street Bridge did not materialized as construction was postponed to 2020. This variance will occur in 2020 as funding negotiations are still outstanding.

Water - Net Operations Result is Nil

Revenues in total were \$13k unfavourable. This result was combined unfavourable variance of \$116k for the delivery of water services which was at 91% of budget. Also, water consumption was lower than anticipated caused by wet summer and fewer new water hook up requests. This variance was almost fully offset by \$99k from Waste Water Financing Cost Recovery as costs are tracked and will be fully recovered from developers.

Expenditures were higher than expected with combined variances in labour costs, insurance and legal fees. Waste water expenses were new and were fully offset by Waste Water Cost Recovery. In addition, there were additional expenditures related to water main repairs which are difficult to predict and are shown in general maintenance and other expenses. These variances resulted in transfers to Water Lifecycle Reserve to be at \$126k and is determined by the net amount (revenues less expenses (excluding Transfer to Reserves)). The remaining were smaller variances in other accounts.

Parks and Recreation - Net Operations Result Underspent \$124,727 or 81%

Revenues in total were \$8k favourable variance. There was a favourable variance of \$40k for cost recover related to the Parks, Recreation and Culture Masterplan and Inter Department Revenue related to the Nestle Grant projects. These were offset with unfavourable variances in Ice Rental which did not meet budget. Comparing 2018 actual results, Hillsburgh Community Centres was 6% lower and Erin Community Centre was 11% lower. Miscellaneous Revenues. Also, there was an unfavourable variance of \$19k in Miscellaneous Revenues which was predominantly revenues from Erin Tennis Association that were set as a place holder as agreement is being negotiated.

Expenditures were lower than budget by \$116k. Labour costs were at 90% of budget or \$58k favourable variance due to lower staffing requirements because of lower rental activity. There was also combined savings of \$29k in water and sewage accounts, natural gas and hydro as efficiency of new HVAC systems. The remainder of the variance was in various accounts with small favourable and unfavourable variances.

Capital Projects Variance

As of December 31, 2019, the Capital Budget vs Actuals report had a total budget of \$9.4m and included projects from prior years between 2015 and 2018. As per Council resolutions, there were several changes during the year that are summarized below:

- \$558k for a drainage project in Ospringle that will be fully recovered from the developers approved with Resolution #18-207. For 2019, the design cost was \$74k. The construction phase of the project was approved with By-law #20-02. According the Drainage Act, the municipality is only able to recover the cost of the project once it is completed.
- \$395k increase in budget to \$1.2m for the Water Environmental Assessment project as per Resolution #19-196. Results from 2019 Development Charges Study listed this project to be 90% funded from Administration - Development Charges and the remaining 10% would still be funded from Water Life Cycle Reserve. This would be a change from equitable funding from Development Charges, Infrastructure Reserve and Water Life Cycle Reserve.
- \$69k increase as per Council Resolution #19-051 for the elevator at Town Hall due to tender results that were higher than budgeted.
- \$45k additional budget for security cameras at the Erin Community Centre approved by Resolution #19-030.
- \$29k net proceeds from the property sale of block 44 which was not budgeted and was approved with Council Resolution #18-115. Staff recommend that net proceeds be transferred to the Infrastructure Renewal Reserve.

The following capital projects were completed in 2019 with “Status” as green. The following projects were under budget.

- \$10k for Renovation at Town Facilities
- \$9k Fire Hall Exhaust system
- \$70k LED conversion of streetlights
- \$1k single axle dump truck/Winter sander
- \$111k for Structure 2051
- \$10k Rural Upgrade for 5th line surface treatment
- \$19k Barbour Field Septic system
- \$9k walking trails
- \$28k ECC shared space capital projects
- \$2k ECC Security enhancements

The following capital projects were over budget, however, within the allowable 10%.

- \$31k for elevator due to unforeseen repairs
- \$28k Pumper 11 due to changes to initial drawings

The year end results for capital projects resulted with staff recommending to transfer the total remaining budget of \$4.1m for the projects with “Status” as yellow. Below is a summary of projects that are recommended to be carried forward to 2020:

- \$2.1m for the construction of the Station Street Bridge and Dam.
- \$290k for the design and construction of Structure 011 which was recently awarded with the Investing in Canada Infrastructure Program (ICIP) federal and provincial grant. The total cost of the project is estimated at \$1.1m of which the Town portion would only be \$183k.
- \$332k unspent funds for the construction of the storm sewer at Daniel Street which will be completed in 2020.
- \$482k unspent funds for the construction of the municipal drain at Ospringe.
- \$91k of unspent funds for multiple capital projects for the maintenance of water distribution systems.
- New Water Supply Production Well budget of \$120k be transferred to 2020 as it is related to the Water Environmental Assessment.
- Remaining funds of \$69k related to the Water Environmental Assessment which is in the final phases.
- Recreation capital projects with a total of \$550k which includes the Erin the Rotary River Trail for \$300k. Please note that the Erin Community Centre renovation project of \$160k was funded by \$150k from taxation which will be transferred to the ECC Reserve to fund the 2020 grant application for a \$2.4m project.

Thus, if Council approves to carryforward the recommended projects listed above, they will be added to the approved 2020 Capital Budget. For transparency purposes, we are asking that Council approve Appendix C that combines the approved 2020 Capital

Projects and the capital projects carried forward from prior years budgets for a \$6.3m spending for 2020.

Reserves and Reserve Funds – Update

Reserves and Reserve Funds table in Appendix D provides activities for the year and cumulative balance of \$12.8m, a net increase of \$0.7m over last year. There was \$3.9m additions and \$3.2m disbursements.

The net increase of \$0.7m is the result of additions and disbursements. The following is a summary of net changes of reserves and reserve funds.

- \$204k decrease to Working Capital to fund the elevator which was initially to be funded from debt. This is the result if Council approves staff recommendation to change funding.
- \$105k net increase to Tax Rate Stabilization that includes \$205k contribution from year end surplus less \$100k to partially fund the elevator (pending Council approval of recommendation).
- \$554k net increase to Infrastructure Renewal Reserve which includes the \$825k contribution which represents \$591k from property tax, \$205k from year-end surplus and sale of excess land \$29k. This is offset by disbursements for \$272k to mostly fund the single axle dump truck \$239k (pending Council approval) and remainder to fund Waste Water Environmental Assessment, elevator and structure 011.
- \$483k net increase to the Gas Tax Grant was mostly due to a duplicate payment of the 2018 grant \$354k offset by planned disbursements for the Storm Sewer at Daniel Street for \$188k and 5th line rural road upgrade for \$33k. The funding for the 5th line rural road upgrade is recommended to be changed to follow the new 2019 Development Charges Study which only funds 50% from development charges versus the 90% from development charges. This funding split was not available at the time the 2019 Budget was approved because the road had not been identified in the 2014 Development Charges Study.
- \$524k transfer to a new reserve fund that staff recommend to create in order to hold unspent monies from the Modernization Grant that was distributed by the Province to find efficiencies.
- \$244k net decrease of the OCIF Top Up Grant for the Station Street Bridge and Dam. The addition was interest earned for the portion that was unspent in 2019. This reserve will be expended in 2020 which is the projected completion date.
- \$72k net increase of the OCIF Formula grant was unspent funds. Costs for the Structure 2051 was to be funded from this reserve but expenses were lower. The Town is allowed to carry forward up to five years of unspent funds which is a change to policy that was recently implemented.
- \$785k decrease in Administration DCs (Development Charges) which was mostly due to the water environmental assessment project. The 2019 Development Charges Study listed the waste water environmental assessment project be 90% funded from DCs which, if Council approves the change in funding would result in \$594k disbursement for 2019. There were also other projects such as the 2019 Development Charges Study, Growth Management Study and waste water

environmental assessment. Overall, this reserve fund is in a deficit position and is charged interest because it is borrowing cash from other reserve funds.

- \$86k decrease to Firehall Reserve used to install the exhaust system at Erin Fire Station.
- \$111k net increase of the Fire Vehicle Reserve. This change was an addition of \$170k approved by Council. This was offset by \$59k to fund the new Fire Pumper 11 which was approved by Council Resolution #18-368.
- \$28k net decrease of the Parks and Recreation Development Charges. This change was to fund the Parks, Recreation and Culture Masterplan.
- \$222k increase to the Roads Capital Reserve. This was a year-end transfer related to the approved funding from taxation for Structure 011 that is postponed to 2020.
- \$194k net decrease in Streetlight Reserve which was planned. There was a \$114k contribution to the reserve due year-end surplus which included savings in hydro. This was offset with the disbursement of \$319k to install new LED streetlights.
- \$50k increase to Roads Fleet Reserve which is new in 2019.
- \$67k increase to Transportation Services Development Charges. There was an addition of \$114k from new development (\$82k) plus interest earned. There was a disbursement of \$47k to fund the 5th Line road upgrade and 17th Sideroad debt payment.

Highlights

This report is to provide Council with financial results of the Operating (Appendix A) and Capital Budget (Appendix B) for the year ending December 31, 2019. Operating surplus of \$422,792 be transferred and equally split between the Tax Rate Stabilization Reserve and the Infrastructure Renewal Reserve. Furthermore, for Council consideration, Appendix B lists recommended capital projects to be forwarded to 2020. Appendix C includes capital projects forwarded from 2019 and 2020 capital projects as approved by Council.

Strategic Pillar

Service Excellence & Good Governance

Financial Impact

In summary, the total operating budget surplus for the 2019 is \$423k which was disbursed to Tax Rate Stabilization Reserve and Infrastructure Renewal Reserve. Also, capital projects from prior years will be forwarded to 2020 for a total capital spending of \$6.3m as per Appendix C.

Conclusion

This report provides Council and the public financial activity for operating and capital spending for the Town of Erin. In addition, Appendix C provides a summary of activities and balances for Reserves and Reserve Funds for 2019.

Attachments

Appendix A – 2019 Budget to Actuals Report – December 31, 2019

Appendix B – 2019 Capital Projects Variance – December 31, 2019

Appendix C – Capital Projects - 2020 and Prior Years

Appendix D – Reserve and Reserve Fund Balances as of December 31, 2019

Ursula D'Angelo

Director

Nathan Hyde

Chief Administrative Officer