



The Corporation of the Municipality of Arran-Elderslie

Information Report

Report From: Tracey Neifer, Treasurer

Meeting Date: November 28, 2022

Subject: SRFIN.22.24 Quarterly Financial Report – January 1, 2022 to September 30, 2022

Attachments:

- A. Financial Report – Services by Department
- B. Financial Report – Water Services
- C. Financial Report – Sewer Services
- D. Financial Report – Storm Services
- E. Financial Report – Protective Services - Fire
- F. Capital Financial Report

Report Summary

The purpose of this report is to provide Council with a financial review of the departmental results for the last nine (9) months of operations, covering the period of January 1, 2022 to September 30, 2022.

The report has been prepared based on the following structure:

- ✓ **Building Services**, representing the Building Department which is self-funded through the issuance of permit fees,
- ✓ **Municipal Services**, representing the various service departments that are funded by taxation and user fees,
- ✓ **Water and Sewer Services**, representing the Water and Sewer Divisions of the Public Works Department that are funded by the respective property owners through user fees.
- ✓ **Protective Services** – Fire Services, representing the consolidation of the three (3) fire stations operating as the Arran-Elderslie Fire Department.

The attachments include detailed departmental reports, separated for each of the three (3) key areas: Building, Municipal (includes Protective Services) and Water/Sewer Services.

The report format aligns with what was presented with the 2022 Budget, with data presented for the 2022 Annual Budget, 2022 Year-to-date (YTD) Budget, 2022 Year-to-date (YTD) Actuals, Year-to-date (YTD) Budget to Actual Variance, and the 2021 and 2020 Actuals. With the implementation of the new budget and reporting software, the 2022 budget distribution across the months of January to December has been prepared to reflect the services provided by each department in each of those months. Monthly budgets are based on a mix of the following methodologies:

- ✓ Equal monthly distribution
- ✓ % Distribution based on prior year actuals
- ✓ Manually allocated across the months of service

The budget distribution is reflected in the reports, which now include a 2022 YTD Budget. An accurate distribution methodology becomes important in variance analysis in area such as the pools, recreation facilities and winter road maintenance.

The 2021 Actuals are based on the Report SRFIN.22.18 - Financial Report dated December 31, 2021, as presented to Council on May 24, 2022. This report includes both operating and capital results. The presentation of the 2021 audited financial statements has not yet been completed due to resource constraints faced by Arran-Elderslie and BDO Canada LLP. Representatives of BDO Canada will present the audited financial statements at a future Council meeting.

The body of the report is intended to highlight significant variances on operating and capital results.

Background

This is the third financial report for the 2022 operating year. Supporting schedules can be found in the following operating and budget reports presented to Council:

- ✓ SRFIN.21-47 Draft Operating and Capital Budget (December 13, 2021)
 - ✓ SRFIN.22-05 2022 Operating and Capital Budget – Update (January 31, 2022)
 - ✓ SRFIN.22-07 2022 Operating and Capital Budget – Update #2 (February 14, 2022)
 - ✓ SRFIN.22-18 Financial Report, December 31, 2021 (May 24, 2022)
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Analysis

Municipal Services

An overview of municipal services, which is exclusive of Building, and Water and Sewer Services, reflects a favorable position of \$235,916 compared to budget (net expenses are less than expected, producing unspent tax dollars raised). While there are significant savings noted in Recreation and Culture, and Planning and Development, there is an overage in Transportation Services.

	Total Budget	YTD Budget	YTD Actuals	YTD Budget to Actual Variance	Total 2021	Total 2020
01 Revenue Fund						
MUNICIPAL SERVICES						
GENERAL GOVERNMENT	263,397	437,299	388,835	48,464	515,999	662,908
PROTECTION SERVICES	1,880,016	1,447,203	1,474,145	(26,942)	1,804,739	1,915,712
TRANSPORTATION SERVICES	2,464,339	1,961,363	2,089,068	(127,705)	2,285,258	3,367,943
ENVIRONMENTAL SERVICES	27,767	(56,921)	(76,783)	19,862	(28,680)	(36,867)
HEALTH SERVICES	45,238	54,598	46,522	8,076	19,292	90,320
RECREATION AND CULTURE	1,122,091	907,784	675,765	232,019	961,470	930,939
PLANNING AND DEVELOPMENT	268,857	194,728	112,586	82,142	238,377	203,758
Total MUNICIPAL SERVICES	6,071,705	4,946,054	4,710,138	235,916	5,796,455	7,134,713

Supporting schedules have been provided to further analyze the results of each service area:

- **Schedule A** provides the departmental groupings that supports each of the service areas, for example:
 - Protective Services includes:
 - Conservation Authorities
 - Fire Protection
 - Other Services
 - Policing

Within each of the above service areas are several departments that provides a further breakdown of contributing divisions.

General Services

The positive results of \$48,464 is attributed to:

- **Council** - wages, benefits, mileage, training, and conferences being less than expected. A large portion of the budget for election costs will be captured with October results.

- **Program Support** – captures the administrative costs for the municipality and several revenue items such as grants, fees and charges, investment and bank interest, and land sales. There has been a positive increase in revenues, largely attributed to an improvement in the bank interest rates, which have increased from 0.75% to 3.83%, and the sale of surplus municipal lands generating more than \$240,000. The net proceeds generated from land sales will be reviewed in total and funds transferred to reserves at the end of the year. While there has been an increase in revenues of \$194,849, expenditures have increased by \$171,724. A significant portion of the increase is attributed to the write-off of tax arrears (unsuccessful tax sales with the property vesting in the municipality), tax reductions as set out in the Municipal Act and Tax Incentive Programs (Conservation Lands, Farm Property Rebates) and legal fees.
- **Asset Management/GIS** – This is a cross-functional department supporting Finance, Public Works, and Building. The primary operations are GIS work and Asset Management. The current results are understated due to a reconciliation of grants that has not yet been completed. The Municipality was successful in receiving a grant from FCM through the Municipal Asset Management Program.

Protection Services

Where most departmental areas in Protection Services are favorable, the negative result of \$26,942 is driven by Policing. The policing overage is due to a timing difference with an additional payment reflected in September's results, and this will be offset in October. The year-end results are trending to be on budget. Other areas to note:

- **Conservation** – planned costs are for dyke work that is completed by Saugeen Valley Conservation Area (SVCA), and these invoices have not yet been received.
- **Fire Protection** - the savings are related to Chesley and Paisley Fire Stations. Staff are working with the changes that were implemented in the 2022 Fees & Charges By-Law for billing of incident related costs; currently, wages and benefits are under budget which contributes to the year-to-date savings.

Transportation Services

Transportation Services are summarized as representing two areas: Roads and Winter Control. **Schedule A** shows an increase in Roads of \$91,254 and Winter Control \$36,456. Most notable is:

- **Admin** – includes the fees received under the Aggregate Resources Act, and these fees were expected to be \$35,000 and had not been received on September 30th. Funds have now been received and will be reflected in the next report, \$24,690.
- **Gravel** – includes dust control and resurfacing costs, of which contracts were higher than expected causing an overage of \$29,166.
- **Vehicles** – includes parts, repairs, licensing, grease, oil, and fuel, with a significant increase in fuel costs, current fuel costs have exceeded budget by \$69,359 regardless of the fuel saving measures that have been implemented.
- **Winter Control** – costs are directly impacted by the winter season and staff time. Annual costs will be reviewed and are offset by the Winter Control Reserve.

Environmental Services

Environmental Services includes the landfill operations, garbage collection and recycling, with overall favorable results of \$19,862.

- **Garbage Collection** - is a contracted service that is funded by the charges added to the property tax bills on an annual basis plus the revenue generated from the sale of bag tags.
- **Waste Disposal** – landfill operations are supported by the revenues generated for the type of waste being disposed of. Fees collected have attributed to favorable results of \$16,220. Contracted services for grinding of wood and brush are less than expected by \$12,987.
- **Recycling** – is a contracted service with Bruce Area Solid Waste Recycling, which the Municipality is a contributing member. Wages and benefits for municipal staff is currently under budget.

Health Services

Health Services includes the operations and maintenance of municipal cemeteries, both active and inactive, support given to physician recruitment initiatives, and rental facilities for the two medical clinics.

- **Physician Recruitment** – represents physician agreements that are in place. The municipality currently has two arrangements in place, which is funded by Reserves. The negative result will be rectified with a year-end adjustment to offset the costs with the Reserves.
- **Medical Clinics** – the operating costs for these facilities is supported by rental income, with the surplus from operations transferred to Reserves annually to finance future repairs and upgrades. Both Chesley and Paisley have incurred an increase in contracted services for repairs and cleaning services. Paisley's increase has been offset by savings in wages and benefits.
- **Cemeteries** – the municipality has several active and inactive cemeteries, some of which have supporting Trust Funds (Care & Maintenance Funds) that earns interest to assist with operating costs. As the interest is not sufficient to cover operating costs, there is a reliance on plot and monument fees, as well as taxation. Tara Cemetery has had an increase in plot and columbarium sales, thus contributing favorably to the year-to-date results.

Recreation and Culture

Positive results of \$232,019 are primarily administrative savings of \$107,910, \$53,289 Arenas, \$28,235 Pools and \$23,375 Programs, as noted in **Schedule A**.

- **Administrative** - costs include the Facility Condition Assessments of \$37,500 with the work expected to begin shortly.
- **Arenas** – both Chesley and Tara have favorable results. The revenue at the arenas is less than expected, with the largest variances in Chesley and Tara. The season, however, has just started for fall and winter rentals. There is a comparable savings in wages and benefits, and other operating costs.

- **Pools** – with a slight decrease in revenue for Chesley, there were savings recognized in wages. Tara had an increase in revenues and savings in wages, with increased operating expenses for the work needed on the building and the pool floor.
- **Other Facilities** – this includes other buildings that are managed by the Municipality, as well as the Trailer Park. The Trailer Park operations are funded by its rental fees, and any resulting surplus funds are transferred to Reserves to facilitate future repairs or upgrades. Other than the LCBO building, operating costs are supported by taxation.
- **Libraries** – each of the libraries is supported by quarterly rental payments. A timing difference has been noted as the third quarter payment was not received until October, thus reflecting negatively on the September results.
- **Museum** – the Paisley Museum is supported by a student grant, admission, and program fees. The seasonal revenues were less than expected.
- **Programs** - includes the Day Camp programs that are provided in the summer, which generated an increase in user fees of \$28,338.

Planning and Development

Overall positive results of \$82,142 which is largely attributed to a staff vacancy in Economic Development. This area also includes zoning application fees, management of the decorations spread throughout the community, and gravel pit work. Tile drainage represents a program provided by Ontario Ministry of Agriculture and Food (OMAFRA), with the Municipality operating as the cashflow agent to submit grant requests and collect and distribute funds with property owners.

Building Services

Building Services includes the operations of the Building Department (Inspections) and Property Standards (Standards), with Inspections seeing positive results of \$56,345. On July 11th, Council received the Chief Building Official's update for May and June which indicated that the past two months have been stronger than expected, however less than last year (76 permits issued compared to 99 in total for 2021). An updated Building Services report is included on today's agenda.

	Total Budget	YTD Budget	YTD Actuals	YTD Budget to Actual Variance	Total 2021	Total 2020
01 Revenue Fund						
BUILDING SERVICES						
Inspection		(1,370)	(57,715)	56,345		
Standards	8,464	6,480	3,670	2,810	6,900	20,952
Total BUILDING SERVICES	8,464	5,110	(54,045)	59,155	6,900	20,952

The positive variance is attributed to:

- Building permit fees has increased by \$16,829 compared to budget
 - The value of the permit fees reflected on the Building Report is reflective of the number of permit requests received, whereas the financial report, in following accounting principles, reflects the billing for services when services have been completed. Therefore, the two reports vary due to the timing difference for when revenue is recognized.
- Expenses are less than budget
 - \$22,500, which is the cost of the Third-Party Review that is funded under the Municipal Modernization Program. Staff are in the process of finalizing the RFP for this initiative.
 - Materials, Supplies and Contracted Services are \$17,651 less than budget.

Water and Sewer Services

An overview of Water and Sewer Services shows a favorable position of \$149,982. This service area also includes Storm, as per discussion with Council.

	Total Budget	YTD Budget	YTD Actuals	YTD Budget to Actual Variance	Total 2021	Total 2020
01 Revenue Fund						
WATER AND SEWER SERVICES						
SHARED ADMINISTRATION		(71,396)	(73,560)	2,164		648,384
SEWER	1	(10,618)	(56,364)	45,746		
WATER	(2)	34,193	(58,822)	93,015		(2,210)
STORM	44,932	26,981	17,924	9,057	43,504	37,954
Total WATER AND SEWER SERVICES	44,931	(20,840)	(170,822)	149,982	43,504	684,128

Shared Administration represents operating expenses that are incurred to maintain these services and is funded by the respective reserves of sewer and water. The year-end results are reviewed, and reserve adjustments are made. Currently, expenses are reasonable compared to budget.

Separate Financial Reports, **Appendices B, C, and D**, provides a further breakdown of the financial results in Water, Sewer, and Storm. Annually, the surplus funds generated by Water and Sewer are transferred to reserves to finance current and future capital upgrades for facilities and equipment. As a result, the budget reflects a balanced position. The year-end results are reviewed, and reserve adjustments are made. Storm Water is currently funded through taxation, however, staff are reviewing options for a storm water fee through a Storm Water Study. Details will be provided to Council when information is available.

The User Fees noted in the Water and Sewer reports is reflective of the flat fee per property included in the property tax bill, usage fees billed quarterly, new user connection fees and service calls. In total, revenues are higher by \$145,158, which attributes to the positive variance in Water and Sewer.

Protective Services – Fire

Protection Services is defined to include Conservation Authorities, Fire, Policing and Other Services. The focus in this area is on Fire.

	Total Budget	YTD Budget	YTD Actuals	YTD Budget to Actual Variance	Total 2021	Total 2020
01 Revenue Fund						
MUNICIPAL SERVICES						
PROTECTION SERVICES						
Conservation Authorities	111,866	83,900	67,221	16,679	119,092	106,035
Fire Protection						
01-2010 Protection-Common Fire	126,459	108,611	104,998	3,613	87,228	50,018
01-2012 Protection-Chesley Fire	154,176	119,765	95,627	24,138	136,297	118,180
01-2014 Protection-Paisley Fire	97,543	90,752	63,751	27,001	118,495	132,622
01-2016 Protection-Tara Fire	134,936	103,786	100,199	3,587	142,236	161,605
Total Fire Protection	513,114	422,914	364,575	58,339	484,256	462,425
Other Services	86,112	63,698	61,847	1,851	32,952	179,373
Policing	1,168,924	876,694	980,503	(103,809)	1,168,435	1,167,877
Total PROTECTION SERVICES	1,880,016	1,447,206	1,474,146	(26,940)	1,804,735	1,915,710

In keeping with the format of the 2022 budget, **Schedules E** has been included to reflect the total operating costs of the Arran-Elderslie Fire Department, while also providing comparability between the three (3) fire stations, Chesley, Paisley and Tara.

The budget was prepared including a \$25,000 Hydro One grant application for a Prevention Program; however, the Municipality was not successful in this initiative. An offsetting expense reduction will be noted as we progress through 2022.

Collectively, year-to-date wages and benefits are under budget by \$41,016, which is directly related to variations in service calls year-over-year and the type of call. There have been 137 (Budget 182) service calls to September 30th, 2022:

- Chesley 55, Annual Budget 80
- Paisley 42, Annual Budget 58
- Tara 40, Annual Budget 44

The budget for service calls is based on a review of prior years and trends in call volumes, as this is an area that is difficult to predict. At year-end, the actuals results are reviewed, and surplus funds are transferred to reserves to meet future capital needs.

Capital Report

Capital expenditures have been included in **Schedule F**, with a comparison to Budget. On a budget of \$8,658,963, the year-to-date expenses represent only 40.9% or \$3,380,03. Some of the expenses will be understated for invoices that are pending from project vendors. The schedule includes comments from each of the respective managers as well as a status update that has been used to prepare the subsequent charts. Based on project status, the capital projects are in a good position moving forward to the next quarter of 2022.

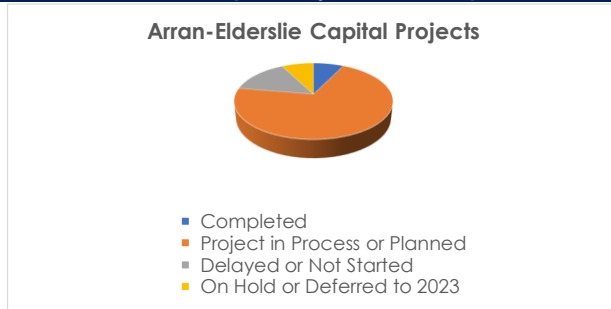
Municipality of Arran-Elderslie Capital Financial Report Overview 9/30/2022						
		Budget: Sources of Financing				
Municipal Services	2022 Capital Expenditures	2022 Capital Plan	2023 Capital Plan	Grants & Donation	Reserves	Reserve Funds
General Government	108,977	355,962	152,200	219,153	136,809	-
Environmental Services	723,531	478,000	100,000	349,891	-	128,109
Protection Services	71,318	86,875	-	-	86,875	-
Transportation Services	588,215	2,714,550	1,311,650	1,057,521	660,489	996,541
Health Services	15,118	62,500	52,500	41,250	21,250	-
Recreation & Cultural Services	313,178	870,079	257,500	667,236	202,843	-
	1,820,337	4,567,966	1,873,850	2,335,051	1,108,266	1,124,650
Grant Initiatives	1,135,631	1,700,107	-	1,030,044	670,063	-
Total Municipal Services	2,955,968	6,268,073	1,873,850	3,365,095	1,778,329	1,124,650
		Budget: Sources of Financing				
Water & Sewer Services	2022 Capital Expenditures	2022 Capital Plan	2023 Capital Plan	Grants & Donation	Reserves	Reserve Funds
Water Services	231,567	1,317,880	768,960	31,239	1,286,641	-
Sewer Services	192,468	1,073,010	242,900	-	1,073,010	-
Total Water & Sewer Services	424,035	2,390,890	1,011,860	31,239	2,359,651	-
2022 Total Capital Projects	3,380,003	8,658,963	2,885,710	3,396,334	4,137,980	1,124,650

The following analysis is a portrayal of the capital budget based on the status of the project and the dollars committed at each level.

The municipal capital projects are 78% either completed or in process or planned to proceed.

The projects on hold or deferred is largely attributed to the Roads project on Brook St. West in Tara, \$555,300, as the tendered results were higher than planned.

Status of Capital Projects - % Completed



Capital Budget Based on Status

Completed	636,595	7.4%
Project in Process or Planned	6,083,890	70.3%
Delayed or Not Started	1,265,178	14.6%
On Hold or Deferred to 2023	673,300	7.8%
	8,658,963	100%

Link to Strategic/Master Plan

Arran-Elderslie Corporate Strategic Plan

6.1 Protecting Infrastructure, Recreation and Natural Assets

6.4 Leading Financial Management

Municipal Budgets and Financial Plans as adopted by Council.

Financial Impacts/Source of Funding

After eight (9) months of operations, the financial results are favorable for moving forward into the next quarter. Almost 80 % of planned projects are either completed or underway. The projected workplan shall address how the remaining capital projects are planned to proceed subject to timing and financial commitments.

Approved By: Sylvia Kirkwood, CAO