Report to Committee of the Whole

To: Mayor Linton and Members of Council
Prepared By: Mark Bradey, Financial Manager / Deputy Treasurer

Date: 17 Jun 2019

Report: COR2019-48

RE: Operating Results - March 31, 2019

Report:
This report provides a quantitative (Attachment A) and qualitative analysis (Attachment B) of the Township’s operating results for the three months ended March 31, 2019.

The attached qualitative analysis was completed at a “high level”. The approach taken for identifying significant variances was to review the operating results for the three months for each department and highlight those variances that are material in nature to that specific division. Therefore, a variance that may be significant to one division (i.e. Emergency Communications) may not necessarily be noteworthy in another department (i.e. Public Works).

As it is still early in the year, it is difficult to provide conclusions concerning year end variances. A number of variances are due to timing of budget recognition and seasonal effects that impact many divisions. As such, comparisons to prior year(s) are provided to highlight areas that may be problematic. Township staff will continue to monitor budget variances and take appropriate action, if able, to ensure negative variances are minimized by year end.

Most operating departments were either under budget or did not exceed their budget significantly once adjusted for seasonal and timing impacts at March 31st.

Specific details concerning significant variances are summarized in the attached qualitative analysis.

Corporate Strategic Plan:
Good Government - The Township will make well-informed decisions, operate efficiently, get results, communicate openly and engage the public in important decisions.

Consultation:
The preparation for this report was done in consultation with:
• Various Township staff responsible for operations
• Lisa Gatto – Supervisor of Accounting & Taxation

Attachments:
- Attachment A - March 31, 2019 Operating Results by Division
- Attachment B - March 31, 2019 Operating Results Qualitative Analysis

Approved By:
Dan Wilson, Managing Director of Corporate Services / Treasurer
Andy Goldie, Chief Administrative Officer
## Township of Centre Wellington
### Operating Results by Division
#### For the Three Months Ending March 31, 2019

<table>
<thead>
<tr>
<th>Division</th>
<th>2019 Budget</th>
<th>Year to Date (YTD)</th>
<th>2019 Actual YTD</th>
<th>Variance Actual minus Budget YTD (Notes 1 &amp; 2)</th>
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<tbody>
<tr>
<td>MAYOR &amp; COUNCIL</td>
<td>(246,550)</td>
<td>(66,047)</td>
<td>(66,131)</td>
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<tr>
<td>OFFICE OF THE CAO &amp; HUMAN RESOURCES</td>
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<td>(154,989)</td>
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<td>LEGISLATIVE SERVICES</td>
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<td>(154,210)</td>
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<td>INFORMATION &amp; TECHNOLOGY SERVICES</td>
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<td>(198,807)</td>
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<td>GENERAL ADMINISTRATION</td>
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<td>FIRE DIVISION</td>
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<td>BUILDING DIVISION</td>
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<td>79,596</td>
<td>(13,678)</td>
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<td>STRAY ANIMAL CONTROL</td>
<td>(41,450)</td>
<td>(10,358)</td>
<td>20,650</td>
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<td>LIVESTOCK ACT</td>
<td>(250)</td>
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<td>BY-LAW ENFORCEMENT</td>
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<td>OTHER PROTECTION PERSON &amp; PROPERTY</td>
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<td>(300)</td>
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<td>EMERGENCY COMMUNICATION</td>
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<td>PUBLIC WORKS</td>
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<td>FERGUS GRAND THEATRE</td>
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<td>OTHER SOCIAL SERVICES</td>
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<td>VICTORIA PARK SENIORS CENTRE</td>
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<td>PLANNING DIVISION</td>
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<td>COMMITTEE OF ADJUSTMENT</td>
<td>11,450</td>
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<td>ECONOMIC DEVELOPMENT</td>
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<td>(43,182)</td>
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<td>TOURISM</td>
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<td>RENTAL BUILDINGS</td>
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<td>(5,246)</td>
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<td>TAXATION &amp; PIL REVENUE</td>
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<td>NET DEBT</td>
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<td>(102,591)</td>
<td>(147,631)</td>
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<tr>
<td>OTHER REVENUE &amp; EXPENSES</td>
<td>(2,066,585)</td>
<td>(2,540,861)</td>
<td>(2,513,586)</td>
<td>27,275</td>
</tr>
</tbody>
</table>

**Notes:**
1. Favorable variances are indicated by a positive number in the Variance column.
2. Unfavorable variances are indicated by a negative number in the Variance column.
QUALITATIVE ANALYSIS

The following represents a summary of all significant operating variances for the three months ended March 31, 2019.

General Government

Mayor & Council  An unfavorable variance in administrative expenditures resulting from a timing issue concerning the payment of AMO membership dues, and conference and training costs that are 67% of annual budget (Budget = $15,000), result in an unfavorable variance of approximately $13,700. This is offset by a favorable variance resulting from a timing issue concerning the new health care spending account for Council.

CAO & Human Resources  Favorable variance is mainly due to a full year budgeted for the part-time Digital Media Associate contract and the position is not expected to be filled until summer 2019. There are also favorable variances for various administration and operational line items including professional fees and management training.

Legislative Services  Favorable variance is mainly the result of a new full-time position (Legislative Services Coordinator) approved in the 2019 Budget for a full year and the position was not filled until May 2019.

Financial Services  The favorable variance is mainly due to a timing issue concerning the recognition of 2019 audit fee expenditures. Furthermore, revenues collected for ownership changes and new roll number creation, resulting from new subdivisions, exceed the expected budget amount from these sources of revenue at March 31st.

Information Technology & Services  The unfavorable variance is due to timing of payments for software support fees and technical support provided by external consultants to March 31st.

General Administration  The favorable variance is mainly due to insurance premiums paid that were $17,100 less than anticipated and the timing of processing tax write-offs for prior tax years which occurs
subsequent to March 31st. Furthermore, revenue from miscellaneous sources are in excess of the budget amount at March 31st.

This is offset by postage expenditures that are 59% of the annual budget (Budget = $32,500) at March 31st. It is expected that this line item will not vary significantly from budget by year end.

Insurance claims are lower than expected to March 31st. WSIB claims were higher than expected to March 31st. Although these items do not have an effect on the Township’s surplus/deficit, it results in a positive impact on the Insurance Claims reserve and a negative impact on the WSIB Claims reserve at March 31, 2019.

**Protection to Persons & Property**

**Fire Department**

The favorable variance of $33,000 is mainly due to volunteer firefighter wage costs that were lower than expected at March 31st. These wage costs also compare favorably to the 2018 first quarter results. Also the timing of the 2019 billing for dispatch fees by the City of Guelph has created a further favorable variance at March 31st. It is expected that the billing by the City of Guelph will be close to the 2019 budget amount once received.

Total revenue for the department is at 25% of the annual budget (Budget = $93,000) as expected and is comparable to prior year amounts at March 31st.

**Building Department**

Building revenue is approximately 15% of the annual budget amount resulting in an unfavorable variance of $110,200 at March 31st. Revenues increased significantly in the spring, which is consistent with prior years, and the expectation is that the budget of $1,100,000 will be met by year end.

The unfavorable revenue difference is offset by a favourable wages and benefits variance due to a delayed start for a contract position and a vacancy for a Building Official I position in the division.

**Stray Animal Control**

The favorable variance is mainly due to the timing of dog tag revenues that were 55% of the 2019 budgeted revenue of $89,000. Dog tag revenue to May 31st is similar to the prior year and therefore it is anticipated that the annual revenue target will be achieved.

At March 31st there is a favorable variance for the contract with the Guelph Humane Society (GHS). It is expected that
these expenditures will be close to budget at year end as the monthly amount paid per the GHS contract is set to increase on July 1, 2019.

Livestock Act
No significant variances.

By-Law Enforcement
No significant variances.

Other Protection to Persons & Property
No significant variances.

Emergency Communication
The favorable variance is due to no training provided or emergency supplies purchased in the first quarter of 2019.

Other Township Departments

Public Works
Significant favorable variances are:

Interim billings for Streetlight revenue were issued for the year in late January which creates a favorable variance at March 31st of $161,300. However during the 2019 Budget, Council eliminated the separate levy for streetlights and blended streetlight costs into the regular tax levy. As such, the revenue is reversed upon issuance of the final tax bills for residential properties in May and will be reversed for commercial and industrial properties in August thereby eliminating the variance. Expenditures related to streetlights are on budget at March 31st.

Many cost centres including:
- Grass cutting and weed spraying;
- Bridges and culverts;
- Brush and tree removal;
- Ditching;
- Street cleaning;
- Grading;
- Dustlaying; and
- Gravel resurfacing
are seasonal in nature and therefore have minimal to no costs for the first quarter and therefore show a positive variance. The majority of costs for the above cost centres occur during the remaining nine months of the year.

Significant unfavorable variances are:

Snow related cost centres are 67% of the annual budget (Budget = $1,328,000) at March 31st (2018 = 51%). Historically, the first 3 months of the year account for approximately 50% of the annual expenditures for the snow related cost centres. Snow related costs to the end of May
have been minimal and expenditures are 69% of the winter control budget. This is in line with the five month historical average of 70% of winter control costs incurred to the end of May.

Fleet fuel and repair costs are 34.5% (2018 = 35.8%) of the annual budget (Budget = $710,000).

Cemeteries

Cemetery revenue is 13% (2018 = 26%) of the annual budget at March 31st.

Expenditures are 9% (2018 = 10%) of the annual budget mainly due to the majority of expenditures for this division are for monument and ground maintenance which do not commence until the spring and summer months.

Health

The unfavorable balance is due to snow removal costs at the Centre Wellington Community Medical Offices. These costs are approximately $1,000 less than the first quarter of 2018.

Crossing Guards

No significant variances.

Parks & Recreation

Revenues at the Sportsplex and ECC are approximately 32.3% (2018 = 30.8%) of the annual budget (Budget = $2,003,500) at March 31st which accounts for a significant portion of the positive variance. Therefore it appears that revenues for these two facilities should be close to, or exceed, budget by the end of the year.

Expenditures at the Sportsplex and ECC are approximately 28.4% (2018 = 26.7%) of the annual budget (Budget = $2,960,835) at March 31st. Utility and snow removal costs for the two facilities are higher than expected for the first quarter of the year. Staff will continue to monitor these negative variances throughout the year and make adjustments, if necessary, for the 2020 Draft Budget.

Parks expenditures were minimal (less than 5% of the annual budget) at March 31st as expected which accounts for a significant portion of the positive variance for the Parks and Recreation division for the first quarter. The majority of costs associated with maintaining the Township’s parks occur in the second and third quarters of the year.

Administrative costs had a favorable variance of $17,600 at March 31st. This is mainly due to seasonality of operations for the Parks and Recreation division as certain labour and vehicle costs were under budget at the end of the quarter as expected.
Fergus Grand Theatre

The unfavorable variance is due to the seasonal nature of the theatre. Specifically, the majority of the theatre’s revenue is earned during the fourth quarter of the year.

$5,600 of the shortfall in revenue is for in-house productions as in some circumstances performer and artist fees are paid in advance of performance in order to secure bookings. It is anticipated that in-house productions will breakeven by year end as the majority of shows are presented in the fourth quarter of 2019.

Other Cultural Services

The favorable variance is due to the fact that Canada Day and Victoria Day events had not taken place by the end of the first quarter.

Other Social Services

The favorable variance for this cost centre is mainly due to the fact that labour and materials expenditures associated with the downtown areas typically take place in the spring, summer and fall months.

Snow removal costs for behind the Fergus Library were 44% of the annual budget (Budget = $40,000) at March 31st. These costs were approximately $5,000 less than the first quarter of 2018 for snow removal.

Heritage

The favorable variance is due to minimal expenditures for all budgeted line items in this division as of March 31st.

Victoria Park Seniors’ Centre

The favorable variance is due to the surplus from programming activities exceeding expectations at the end of the first quarter. This is offset by negative variances for snow removal and building repairs and maintenance expenditures at March 31st.

Planning Department

The unfavorable variance is due to planning revenue that was 14% of the annual budget (Budget = $185,000). By the end of May 2019, planning revenue had increased to 48% of the annual budget and is expected to meet the annual budget target.

Committee of Adjustments

No significant variances.

Economic Development

$6,600 of the favorable variance is due to unspent funds in the marketing expenditure line (9% of the annual budget spent) at March 31st.

The small business training and support expenditure line is under budget at March 31st as the Township had not yet received an invoice from the Business Centre Guelph - Wellington in 2019.
Tourism  The favorable variance is mainly due to no expenditures for wayfinding signage repairs and maintenance at March 31st.

**General Expenditures and Revenue**

Rental Buildings  The unfavorable variance is due to the timing of payment for building insurance costs for the Elora Drill Shed and West Garafraxa office. Insurance costs represent 47% of the total budget for this cost centre.

Taxation and PIL’s  Regular taxation revenue was approximately 46% billed as of March 31st as in prior years. Final bills for residential properties are issued in May, and commercial, industrial, and multi-residential properties are issued in August.

Dedicated capital levy is 37% of the annual budget (Budget = $1,208,200) at March 31st which is the same percentage as the first quarter of 2018.

Net Debt  The unfavorable variance is due to differing repayment terms for each debenture. Variance at the end of the year will be insignificant as each debt related budget line item is based on an amortization schedule for each debenture.

Other Revenue and Expense  The favorable variance is due to investment income exceeding expectations as of March 31, 2019.