

**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** September 16, 2024

**SUBMITTED BY:** Ryan Hagey, Director of Financial Planning & Asset Management,  
519-741-2200 ext. 7353

**PREPARED BY:** Debbie Andrade, Manager of Budgets, 519-741-2200 ext. 7114

**WARD(S) INVOLVED:** All Ward(s)

**DATE OF REPORT:** August 7, 2021

**REPORT NO.:** FIN-2024-404

**SUBJECT:** June 2024 Variance Report

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**RECOMMENDATION:**

**For Information**

**REPORT HIGHLIGHTS:**

- The purpose of this report is to provide an update on financial results for City operations.
- Tax supported operations are projecting a surplus of \$3,083,000.
- Most enterprise operations (non-tax supported business lines) are projecting surpluses.
- This report supports the delivery of core services.

**EXECUTIVE SUMMARY:**

This is the first variance report to Council regarding the City's financial performance versus the 2024 budget. The report and attached schedules include information regarding:

- Tax supported operations
- Rate supported enterprises/utilities, and
- Supplementary information related to investment income

**REPORT:**

Overall staff is projecting the City's tax supported results for 2024 will be a surplus of \$3,083,000. The major contributors to the overall positive variance are the projected surpluses in Engineering, Operations Roads and Traffic, Parks and Cemeteries, Debt Charges, Gapping and Penalties and Interest. These positive variances are offset in part by projected deficits in Bylaw Enforcement, Corporate Communications, Facilities Management and Contract Services. More details about each of the City's tax supported divisions are provided in the report below and in Schedule 1.

The City's enterprise (non-tax supported business lines) results to the end of June show most of the enterprises have results that were better than budgeted. However, in the rate supported operations Building is projecting a negative variance to budget due lower than anticipated

revenues as a result of the decline in the number of new construction builds with high interest rates slowing the purchase of residential homes. More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

Significant projected tax supported variances (over \$200,000) are summarized below. Additional details are provided in Schedule 1 for projected variances that exceed \$100,000.

#### Operating Fund – Tax Base (Schedule 1)

Staff is projecting the City's tax supported results for 2024 will be a surplus of \$3,083,000.

#### Significant Projected Variances (over \$200,000)

Development Services Department:

- Engineering is projecting a surplus of \$440,000 due to higher than anticipated revenues for site plans and service charge revenue.

General Expense:

- Contract Services is projecting a deficit of \$251,000 due to increased costs related to the existing contract with the Humane Society.
- Gapping is projecting a surplus of \$1,208,000 due to staff savings resulting from vacancies.

General Revenue:

- Penalties and Interest is projecting a surplus of \$1,000,000 due to higher than usual Accounts Receivable balances.

Infrastructure Services Department:

- Operations – Roads and Traffic is projecting a surplus of \$593,000 due to reduced winter maintenance costs resulting from unseasonably warm winter months.

#### Enterprises – (Schedules 2 to 8)

Six of the City's seven enterprises are projecting year end positive variances to budget. Details of each enterprise are noted below.

#### Building Enterprise (Schedule 2)

The Building Enterprise is projecting a negative variance to budget of \$359,000 due to reduced revenues from a decline in the number of new construction builds. The interest rate hikes over the last year has slowed the purchases of residential buildings. The projected deficit is partially offset by a positive variance in operating expense because of staff vacancies.

#### Golf Enterprise (Schedule 3)

The Golf Enterprise is projecting a positive variance to budget of \$248,000 due to higher than anticipated revenues with a successful start to the Golf season.

#### Parking Enterprise (Schedule 4)

The Parking Enterprise is projecting a positive variance to budget of \$535,000 due to better than anticipated daily use.

#### Water Utility (Schedule 5)

The Water Utility is projecting a positive variance to budget of \$2,762,000 due to increased volume of water sold as a result of the warmer weather.

#### Sanitary Sewer Utility (Schedule 6)

The Sanitary Sewer Utility is projecting a positive variance to budget of \$4,744,000 due to higher than budgeted revenues, which is consistent with increased volume sales also noted in the Water utility.

#### Stormwater Utility (Schedule 7)

The Stormwater Utility is projecting a positive variance to budget of \$764,000 due to higher revenues from increased development and projected staff savings because of vacancies.

#### Gas Utility (Schedule 8)

The Gas Utility (Total) is projecting a positive variance to budget of \$3,959,000.

- Gas Delivery is projecting a positive variance to budget of \$3,315,000 due reduced operating expenses as a result of lower volumes of gas sold and decreased contract charges.
- Other Programs (Rental Water Heaters and KU Dispatch) is projecting a negative variance to budget of \$102,000 due to higher than anticipated interest and carrying costs.
- Gas Supply is projecting a positive variance to budget of \$746,000 due to reduced operating expenses as a result of lower volumes of gas sold and lower cost of gas.

#### Investment Report (Schedule 9)

All investments made were in accordance with the City's investment policy. Short-term investment yields to date have averaged 5.84% which is higher than the average interest rate of 3.35% for all of 2023.

#### **STRATEGIC PLAN ALIGNMENT:**

This report supports the delivery of core services.

#### **FINANCIAL IMPLICATIONS:**

Financial implications are discussed above and detailed in the attached schedules.

#### **COMMUNITY ENGAGEMENT:**

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

#### **PREVIOUS REPORTS/AUTHORITIES:**

There are no previous reports/authorities related to this matter.

**APPROVED BY:** Jonathan Lautenbach, Chief Financial Officer

**ATTACHMENTS:**

- Schedule 1: Statement of Operations – Tax Supported Services
- Schedule 2: Statement of Operations – Building
- Schedule 3: Statement of Operations – Golf
- Schedule 4: Statement of Operations – Parking
- Schedule 5: Statement of Operations – Water
- Schedule 6: Statement of Operations – Sanitary Sewer
- Schedule 7: Statement of Operations – Stormwater
- Schedule 8: Statement of Operations – Gas
- Schedule 9: Investment Report