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Date: July 27, 2017
To: Mayor and Council
Author: Sandra Zwiers, Director of Financial Services
RE: Q2 Financial Status Update to June 30, 2017
Report No.: FS-2017-010

AIM

To provide council with a report on the financial status of the municipality to the end of the second quarter ending June 30, 2017.

BACKGROUND

Administration is provided with monthly budget to actual reports and a capital project status log for their departmental review. On a quarterly basis the Director of Financial Services prepares a summary report of review findings for presentation to council along with updates on other financial indicators in order to give an opinion on the financial health of the municipality. The 2017 budget was passed on February 22nd. In consultation with the CAO, a first quarter report was not prepared for council due to a lack of significant spending to the end of March.

DISCUSSION

The following is a summary of departmental variance analysis completed to the end of the reporting period. For all departments not specifically listed, it is confirmed that departmental revenues and expenditures are consistent with budget targets to date.

General Administration

Miscellaneous revenue includes the recovery of stale dated cheques to recipients that could not be contacted/located. These uncashed cheques dated back to 2005. Also included in miscellaneous income is a reconciliation payment from LAS for our participation in the LAS Hydro program. A program overbilling was discovered from 2016 and a refund cheque in the amount of \$4,003 was received during the reporting period.

Facility maintenance expense exceeds the annual budget due to the failure of the main air conditioning unit in the server room and the need to replace the failing concrete base securing the town hall's main communication tower. The unbudgeted miscellaneous revenue described above has been assigned to offset these overages.

Animal Control

A new roof was required at the dog pound which resulted in the budget for the Dog Pound being exceeded. As outlined in our joint operating agreement with the Town of Leamington, the cost of the new roof was shared equally between the two municipalities.

Fire

Based on discussions with the Fire Chief, the anticipated new revenue sources relating to fire safety plans review, training services, incident reports and medical standby are not likely to be realized during the year. The total negative impact to the fire budget is estimated at \$7,700. Vacancies within the department during the period have resulted in wage savings that will offset the unrealized revenue. An internal review of business practices within the department is being undertaken to maintain current revenue levels for 2018.

The cost of volunteer firefighting services is below the half year target at 42% of the total annual budget. Fire calls during the period totaled 149 compared to 146 for the same period in 2016.

The acquisition of the aerial truck is now complete and under budget. Efforts to sell the surplus aerial continue.

Police

2017 represents the transition year away from the traditional 1000 Officers and Community Policing Partnership grant programs and towards the Policing Effectiveness and Modernization Grant (PEM). A reconciliation of the revenue will occur at year end to match revenue with budget funds.

Reports from the Manager of Provincial Offenses at the City of Windsor indicate that charging volumes continue to lag in 2017 at rates 12% below the prior year. While collection efforts remain strong, the realization of POA revenue is behind budget targets to the end of the reporting period. Council can expect to see a reduction in Provincial Offenses Revenue as we move through 2017.

Miscellaneous revenue is comprised of our 2016 contract credit adjustment from the OPP of \$795.37. Under the new billing model large post year adjustments will no longer occur.

Building

Building permits are tracking ahead of 2016 levels with 208 permits issued compared to 194 for the same period last year. Discussions with the Chief Building Official are optimistic that the trend will continue through the remainder of 2017.

Miscellaneous revenue includes new fees collected for billable services within the department relating to property file retrieval services and post review amendment work.

Staffing absences in the department resulted in the hiring of contract inspectors to maintain service levels and keep up with permit demands. It is anticipated that the excess revenue generated from permits will offset the over budget costs of contract labour.

Transportation

Revenue from the rental of parking lots is not anticipated to be realized due to the absence of night market events this season.

Professional fees exceed the budget estimate due to legal expenses for drainage abandonment processing. The Manager of Public Works anticipates recovering these costs through the drainage expense account (60427).

Culvert repair expense exceeds the budget target as a result of a large number of culverts requiring replacement this year. The Manager has indicated budget funds from roadside ditching (60429) will be utilized to offset the deficit.

Sanitation

The 2017 budget for the EWSWA remains unadopted. Perpetual care charges, tipping fees and fixed costs will be subject to retroactive adjustment to January 1st. Given the present uncertainty in pricing, administration will monitor the budget process at EWSWA and respond to fee changes as appropriate.

Parks and Recreation / Recreation Programs

Arena Hall Rental revenue is below budget targets and is not anticipated to reach budget targets by year end. While rentals are reasonably consistent, the budget target was overly optimistic and will be lowered in 2018.

Arena Floor Rental revenue will not be realized due to the cancellation of rentals for ball hockey and lacrosse. The Ball Hockey Tournament revenue in Recreation Programs will also not be realized due to a cancellation of the event. The Recreation Program Manager has identified savings in staffing resulting from an office support vacancy as a source to offset this lost revenue.

Water

Water sales, on a volume basis, are 4% lower than the same period in 2016. Administration has assessed this as reasonable considering 2016 experienced an unusually hot and dry late spring / early summer. We are currently trending approximately 3% above our 3-year average for water sales, which was the basis for 2017's projected revenue in the budget. Water sales on a dollar basis, are 1.3% higher than this point last year. The increased revenue is a result of a \$.05 /m³ rate increase which took effect in April 1, 2016 and a further \$.02 / m³ rate increase effective April 1, 2017.

All water expenses are in line with expectations, with the exception of water purchases. Despite a year to date decrease of 4% in water sales (volumes), UWSS is reporting a 3% year to date increase in our water purchases. Administration is currently working with the Manager of UWSS to investigate the discrepancy.

Other Items

Also attached to this report for council's information are:

- Year to Date Departmental Income Statements as of June 30, 2017
- Capital Project Status Log as of June 30, 2017
- Tax Data Summary as of June 30, 2017

- Water / Wastewater Data Summary as of June 30, 2017
- Investment Summary as of June 30, 2017
- Drain Status Report as of June 30, 2017

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

FINANCIAL CONSIDERATIONS

Certain transfers to and from reserves have been made for projects completed to the end of the second quarter. The financial activities of the municipality, with the above noted exceptions, are consistent with the budgetary expectations to the end of the second quarter ending June 30, 2017.

Administration will continue to monitor revenue and expenses with the goal of maintaining a balanced budget.

CONSULTATIONS

Senior management

RECOMMENDATION

That council receives the financial status update report FS-2017-010 for the period ending June 30, 2017.

Sandra Zwiers

Sandra Zwiers MAcc, CPA, CA
Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer