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Date: October 26, 2017

To: Mayor and Council

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RE: Q3 Financial Status Update Report to September 30 2017

Report No.: FS-2017-20

AIM

To provide council with a report on the financial status of the municipality to the end of the third quarter ending September 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.

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.

Taxation

Supplemental revenues were budgeted to reach \$325,000 during 2017. These revenues represent new assessment processed by MPAC as a result of building activity. A meeting was held during the quarter with the Town's MPAC Account Manager, Tracy Pringle to discuss concerns about the status of open building files and the impact the timing of completion may have on returning assessment to the Town before year end. Without confirmed assessment from MPAC the Town cannot prepare a supplemental tax bill and collect tax revenue. A review of open permits was conducted and based on added information from our building department it was confirmed that our budget target will not be reached by year end. We anticipate the supplemental shortfall will be approximately \$118,000. While all open permits will eventually be closed and processed by MPAC, these supplemental revenues will not be realized until future budget years.

Write off expenses were budgeted to reach \$235,000 during 2017. A review of assessment at risk and known write off adjustments was undertaken. Due to a favourable appeal settlement the total write offs for the year are expected to remain under budget. It is anticipated that the surplus in the write off account will be sufficient to offset the deficit in supplemental revenues.

General Administration

Revenue from the preparation of tax certificates exceeds the annual budget. A total of 391 certificates have been issued to the end of the reporting period compared to 349 for the same period in 2016.

Marriage solemnization services continue to be popular and as a result both revenues and corresponding expenses exceed their budget targets.

The Town's portion of aggregate licence fees was increased from \$0.04/tonne to \$0.06/tonne during 2017. As a result, our payment for Pits & Quarries exceeded the budget target by \$7,000. The intent of these revenues is to address road maintenance and other administrative matters relating to the management of local aggregate resources. To improve transparency of their application against related expenses, the 2018 budget will recommend reclassification of these revenues from the general administration budget to the public works budget.

Investment income continues to exceed budget targets. Please refer to the attached investment summary which highlights investment instruments and rates of return.

Expenses relating to professional fees and general insurance deductibles are not expected to reach budget targets. A review of open claim files suggests resolution will extend into next year. The surpluses in these two accounts is recommended to be transferred to reserve at year end and used against legal and claim expenses anticipated in 2018.

Included in the approved listing of donations and grants was \$11,500 for Habitat for Humanity. Based on information obtained from the Planning and Development Services department this project is not likely to begin in 2017. It is recommended that the approved funds for this project be transferred to the Affordable Housing Reserve and held for payment to Habitat for Humanity when the project moves forward in future budget years.

Animal Control

Administration costs of enforcing the dog tag program were reduced in 2017 by the decision to not use contract commissionaire services. Instead, administration undertook a well attended dog tag and vaccine clinic to reach pet owners that had not yet purchased valid tags.

Fire

Further to comments included in the second quarter report which detailed new user fees proposed as part of the 2017 budget, total fire revenues are not expected to reach budget targets. A shortfall of approximately \$25,000 is expected by year end. This amount may increase to \$30,000 as a result of uncontrollable delays in scheduling training services under contract with Brighton Beach.

The cost of volunteer firefighting services is below the third quarter target at 63% of the total annual budget. Fire calls during the period totaled 240 compared to 236 for the same period in 2016.

Bunker gear exceeds the budget target due to the hiring of additional department personnel.

The surplus aerial fire truck was budgeted to be sold upon the purchase of the new apparatus. To date efforts to sell the vehicle have been unsuccessful. The vehicle is currently listed for auction however administration does not anticipate receiving the budgeted sale price.

Police

Reports from the Manager of Provincial Offences at the City of Windsor indicate that charging volumes continue to lag in 2017 at rates 9.2% 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 continue to move through 2017.

Building

Building permits continue to trend ahead of budget targets and are expected to exceed the annual budget well before year end.

The high volume of permits, combined with full time staff shortages, resulted in contract inspectors being retained to maintain service levels. Savings realized from full time staff shortages are being used to offset the increased cost of contracted services.

Transportation

Advertising costs exceed the budget due to increased notifications of the town wide weed spraying program. In 2017, staff undertook a town wide program rather than spraying half the municipality each year on a two year rotating cycle. The additional advertising required was not considered in the 2017 budget. These costs will be budgeted for in 2018.

Cemetery

Grave openings at cemeteries in more remote areas of the municipality are contracted to a third party. During the reporting period, a larger than budgeted number of burials in these remote cemeteries occurred resulting in a budget deficit in grave openings.

Investment returns on trust funds are expected to exceed the budget target. The anticipated surplus in investment returns will be used to offset the negative budget variance in grave openings.

Arena

A number of capital revenue sources are not expected to be realized by year end. The provincial grant relating to the results of an energy audit is currently delayed as administration works through the audit findings with the consultant. A previous report by the Manager of Facilities & Properties sought support to forgo fundraising efforts to fund the purchase of wall mounted seating. A surplus generator is currently advertised for sale but not yet sold. The combination of these at risk revenue sources amounts to \$20,500.

Parks

Equipment rental expense exceeds the annual budget due to the rental of equipment to perform restorative site work on grounds adjacent to the dog park.

Marina

Council may wish to consider transferring any surplus in the Marina budget to the Marina Reserve. In anticipation of implementing aspects of a marina master plan, these surplus funds could be used to fund marina specific capital improvements. The marina was budgeted to generate a \$23,000 loss. Once year end closing procedures are complete, the marina operation is expected to generate an overall profit of approximately \$2,000. This positive budget variance of \$25,000 could be allocated to reserve for future marina application.

Planning

Contracted planning services have been used to address a staff vacancy in the department. While contract costs exceed vacancy related wage savings, the Manager of Planning and Development is confident that increased planning application revenues will offset any negative expense impacts.

Water

Water revenues are expected to exceed budget targets by \$125,000 (2%) by year end.

As noted in the second quarter report, a review of water purchases compared to water sales was to be undertaken during the third quarter. Calculations suggest an increase in the water loss ratio. Water loss can be caused by a number factors: hydrant flushing, water main breaks, leaking pipes, fire fighting use, bypassed connections, etc. The timing of billing from Union Water for water purchased compared to water billed to our customers can also artificially impact a water loss ratio analysis. Administration will continue to monitor the loss ratio and identify opportunities for network and operational improvements.

Kingsville / Lakeshore West / Ruthven Wastewater

Revenues are expected to exceed budget targets by \$150,000 by year end. Of that amount, approximately \$60,000 is attributable to an unbudgeted payment relating to a one time disposal at the Kingsville Lagoons approved by the Ministry of the Environment.

Our fixed price contract with OCWA is expected to remain within budget even after the annual reconciliation is performed. Batch treatment is not anticipated to be required this year.

The combined impact of increased revenues and lower than budgeted expenses is forecasted to result in a surplus of approximately \$200,000 by year end. The surplus will remain within the waste water fund and offset significant capital expenditures that will be budgeted in 2018.

Other Items

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

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

- Water / Wastewater Data Summary as of September 30, 2017
- Investment Summary as of September 30, 2017
- Drain Status Report as of September 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 third quarter. The financial activities of the municipality, with the above noted exceptions, are consistent with the budgetary expectations to the end of the third quarter ending September 30, 2017.

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

CONSULTATIONS

Senior Management Team

RECOMMENDATION

That council approve the transfer of any unspent balances in General Administration Professional Services (60319) and General Insurance Deductible (60313) to the General Administration Working Capital Reserve (31060) for use against future legal and claim expenses.

That council approve the transfer of \$11,500 from Donations and Grants (60390) to the Affordable Housing Initiative Reserve (31060) representing the approved 2017 allocation to Habitat for Humanity.

That council approve the transfer of any positive budget variance from the Marina budget to the Marina Reserve (31057).

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