

STAFF REPORT: Finance & IT Services

C.3



REPORT TO: Finance & Administration
MEETING DATE: October 16, 2012
REPORT NO.: FIT.12.60
SUBJECT: Q3 2012 Financial Report
PREPARED BY: Renee Ouellette, Financial Accountant

A. Recommendations

THAT Council receive Staff Report FIT.12.60 "Q3 2012 Financial Report" for information purposes.

B. Background

Finance Staff provide Monthly and Quarterly Financial Reports for review by the Finance and Administration Committee. The reports provide Council the financial activity of the Town in relation to the 2012 Approved Budget.

The 3rd quarter results forecast a \$121,000 deficit for the year in tax supported departments.

This is better than the 2nd quarter results that forecasted a \$279,000 deficit for the year for tax supported departments. The change in deficit is a reflection of the bulk of the Town's activity which occurs in the 3rd quarter.

Table 1
 Comparison of Reported Forecasted Variance
 (rounded to the nearest thousand)

Revenue Source	Unfavourable Variance Forecast		
	June, 2012 Forecast	Q3, 2012 Forecast	(Increase) / Decrease (June - Q3)
Tax Supported Departments	\$ 279,000	\$ 121,000	\$ 158,000
User Rate Supported	135,000	213,000	(78,000)
User Fee Supported Operations	100,000	46,000	54,000
Total Unfavourable Variance Forecast	\$ 514,000	\$ 380,000	\$ 134,000

Operating

Tax Supported Departments

Attachment 1 provides a 3rd quarter operating summary of the tax supported departments.

Based on 3rd quarter results, a 2012 net deficit of \$121,000 in tax supported departments is forecasted. The forecasted deficit is a result of:

- Revenue shortfalls in user fees and charges in the Engineering and Public Works, Recreation and By-law Services departments. Revenue shortfalls are related to a lower than budgeted user or development activity. Departments continue to monitor discretionary spending in an effort to align a decrease in expenditures along with revenue. Departments will review user related revenue for the 2013 budget.
- Revenue surplus related to Taxation within supplemental taxes, interest and penalties on taxes. Staff has provided a conservative forecast based on additional supplemental taxes and interest/penalties to be collected in 4th quarter.
- Reported savings in Fire Services salaries, resulting from a lower than budgeted volunteer complement, downloading of training to the municipality and changes in staffing within Fire Suppression.
- Savings in salaries from gapping offset by higher than budgeted benefit costs. The financial impact of changes in staffing will be reported at the 4th quarter.

The 2nd quarter tax supported \$279,000 net deficit has been reduced by \$158,000 resulting in a revised net deficit of \$121,000. Changes from the 2nd quarter forecast are outlined in Table 2:

Table 2
Change in Forecasted Variances
(rounded to the nearest thousand)

Variance Type	Summary of Changes in Tax Funded Variance Forecast		
	June, 2012 Forecast	Q3, 2012 Forecast	(Increase) / Decrease (June - Q3)
Short Term Accommodations - Professional Fees	\$ 20,000	\$ 15,000	\$ 5,000
Assessment Tax Write Off	60,000	0	60,000
Supplemental Tax Surplus	0	(10,000)	10,000
Tax Interest and Penalties	0	(48,000)	48,000
Fire Wages	0	(45,000)	45,000
BVCC Rental Fees	0	20,000	(20,000)
Tomahawk User Fees	29,000	24,000	5,000
Cemetery	10,000	20,000	(10,000)
Engineering Development Fees	65,000	50,000	15,000
Total Changes in Variance Forecast	\$ 184,000	\$ 26,000	\$ 158,000

As previously indicated the majority of the Town's activity occurs within the 3rd quarter. While the 3rd quarter resulted in increased interest and penalty revenue, user fee revenues remained consistent at the 2nd quarter forecasted level with additional variances forecasted at the BVCC and Cemetery.

As previously reported any deficit up to \$200,000 will be funded from the Working Capital Reserve.

User Rate Supported (Water and Wastewater)

The 3rd quarter results forecast a net deficit of \$213,000 in user rate supported departments. This is worse than the 2nd quarter forecast of a net deficit of \$135,000.

Attachment 2 provides a 3rd quarter operating summary of the user rate supported departments.

Water

3rd quarter activity resulted in an increase in net deficit of \$78,000, from \$110,000 in the 2nd quarter to \$188,000 in the 3rd quarter, due to:

- Increased consumption due to dry weather conditions; with revenue on track for the first three quarters of the year. Management continues to forecast a \$110,000 shortfall in revenue as consumption is seasonal and fluctuates based on weather and tourism to the local area;
- Higher than budgeted expenses for the purchase of water from Collingwood; and
- Higher than budgeted benefits.

Wastewater

Wastewater continues to report an estimated deficit of \$25,000. Similar to water, revenue is on track for the year however management has provided a conservative estimate as revenue for the remainder of the year will be dependent upon favourable seasonal conditions.

User Fee Supported Operations (Building, Harbour & BIA)

Attachment 3 provides a 3rd quarter operating summary of the user fee supported departments.

Building

The 3rd quarter results forecast a net deficit of \$30,000, reduced from the 2nd quarter forecast of \$60,000.

The 3rd quarter projection is based on revenues realized in peak building season from June – September and a reduction in discretionary spending to offset projected revenue shortfalls.

Any reported shortfall in the Building department will be added to the budgeted debt funding of \$365K.

Harbour

The 3rd quarter results forecast a net deficit of \$16,000. The forecasted deficit is a result of increased staffing and site premise costs in response to the favourable weather conditions that promoted higher usage and traffic at the Harbour. Increased expenditures are partially offset by an increase in revenue from fees and the sale of fuel however the forecasted revenue surplus does not fully recover the cost of increased staff and premises.

Capital

Capital expenditures and commitments for the period ended September 30, 2012 totalled \$3.1 million or 34% of the 2012 Approved Capital Budget of \$9.1 million, up 6% from the 28% spent and committed at August 31, 2012.

Staff is forecasting that \$5.2million of the \$9.1 million will not be spent in 2012, due to the delay in projects such as:

- Grey Road 21 Trunk Sewer: \$2.4 million
- Wensley Drive Road Reconstruction & Wastewater Expansion:\$1.5 million
- Ravenna Roads Depot expansion \$500K
- Other projects totalling \$900K such as Town Hall landscaping, Landfill Land Acquisition, Beaver Valley Community Centre Roof & Hall Entrance

Any tax related funding associated with delayed projects will be recommended for roll-over into the 2013 capital budget.

Staff is also forecasting a savings in debt financing for the Slabtown Bridge capital project. Any savings in expenditures will result in a reduction of the long term debt burden by the Town.

Funding will be updated for Q4 2012 with any additional variances to be reported.

Spending compared to budget at the end of the year will be dependent upon the ability of staff to advance capital projects

C. The Blue Mountains' Strategic Plan

Providing a strong, well managed municipal government.

D. Environmental Impacts

NA

E. Financial Impact

The Municipal Act states in section 290 (4)(c) states that the municipality shall provide for any operating deficit in the budget of the following year.

As approved by the Finance & Administration Committee, the Working Capital Reserve will be used to fund a potential 2012 tax department supported deficit up to \$200,000 as the result of a revenue shortfall in the 2012 fiscal year.

The 3rd quarter net deficit of \$121,000 for tax supported departments is to be funded from the Working Capital Reserve at year-end.

Any shortfall in user rate or user fee departments will be funded from the appropriate reserve or debt funding.

Staff will continue to monitor discretionary spending for the remainder of the year.

F. In Consultation With

Senior Management Team
Finance

G. Attached

1. Summary of the Tax Supported Departments
2. Summary of the User Rate Supported Departments
3. Summary of the User Fee Supported Departments

Respectfully submitted,

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The Blue Mountains
Quarter 3 Financial Report
 Operating Summary - Tax Supported Departments

	<u>Q3 Actuals</u>	<u>Q3 Budget</u>	<u>Q3 Variance F/(U)</u>	<u>Projected 2012 Actuals</u>	<u>Annual Budget</u>	<u>Projected Variance F/(U)</u>
EXPENSES						
Salaries, Wages & Benefits	\$5,462,105	\$5,424,089	(\$38,016)	\$7,187,120	\$7,232,120	\$45,000
Operating & Professional Expenses	3,374,883	4,019,194	644,311	5,464,410	5,358,925	(105,485)
Communications & Utilities	377,986	392,246	14,260	522,995	522,995	0
Repairs & Maintenance	477,831	473,513	(4,318)	631,350	631,350	0
Vehicle Related	195,971	206,798	10,827	275,730	275,730	0
Financial Expenses	802,941	944,621	141,680	1,259,495	1,259,495	0
Minor Capital Work	242,130	218,250	(23,880)	291,000	291,000	0
TOTAL EXPENSES	10,933,847	11,678,711	744,864	15,632,100	15,571,615	(60,485)
TRANSFERS						
Transfers to Capital & Reserves	926,889	1,669,394	\$742,505	2,225,858	2,225,858	0
Interfunctional Transfers	(631,231)	(732,755)	(\$101,524)	(977,007)	(977,007)	0
Transfer To/From Unfinanced Capital	0	(38,250)	(\$38,250)	(51,000)	(51,000)	0
TOTAL TRANSFERS	295,658	898,389	602,731	1,197,851	1,197,851	0
TOTAL TRANSFERS & EXPENSES	11,229,505	12,577,100	1,347,595	16,829,951	16,769,466	(60,485)
REVENUE						
Tax Revenues	11,435,954	8,567,243	(2,868,711)	11,432,991	11,422,991	10,000
Grants & Donations	1,401,973	1,630,838	228,865	2,174,450	2,174,450	0
Reserve Revenue	259,754	707,550	447,796	1,023,400	943,400	80,000
Interest and Investment	601,958	594,263	(7,695)	840,350	792,350	48,000
Sales, Fees, Rental and Charges	806,098	1,035,206	229,108	1,216,275	1,380,275	(164,000)
Proceeds from Debt	0	0	0	0	0	0
Prior Year Surplus	21,736	42,000	20,264	21,736	56,000	(34,264)
TOTAL REVENUE	14,527,473	12,577,100	(1,950,373)	16,709,202	16,769,466	(60,264)
NET POSITION	3,297,968	0	(3,297,968)	(120,749)	0	(120,749)

Note: Transfer \$3.3M to/from unfinanced related to the Town Hall FCM loan financing has been excluded for the purposes of this report.

The Blue Mountains
Quarter 3 Financial Report
 Operating Summary - User Rate Supported Departments

	<u>Q3 Actuals</u>	<u>Q3 Budget</u>	<u>Q3 Variance</u> <u>F/(U)</u>	<u>Projected 2012</u> <u>Actuals</u>	<u>Annual Budget</u>	<u>Projected Variance</u> <u>F/(U)</u>
EXPENSES						
Salaries, Wages & Benefits	\$1,001,994	\$961,093	(\$40,901)	\$1,301,459	\$1,281,459	(\$20,000)
Operating & Professional Expenses	599,647	555,956	(43,691)	888,275	741,275	(147,000)
Communications & Utilities	350,598	341,381	(9,217)	455,175	455,175	0
Repairs & Maintenance	228,394	226,961	(1,433)	302,615	302,615	0
Vehicle Related	42,283	41,588	(695)	55,450	55,450	0
Financial Expenses	354,896	746,058	391,162	994,744	994,744	0
TOTAL EXPENSES	2,577,812	2,873,037	295,225	3,997,718	3,830,718	(167,000)
TRANSFERS						
Transfers to Capital & Reserves	1,144,302	1,262,111	\$117,809	1,682,814	1,682,814	0
Interfunctional Transfers	574,675	583,112	\$8,437	777,482	777,482	0
Transfer To/From Unfinanced Capital	163,000	244,500	\$81,500	326,000	326,000	0
TOTAL TRANSFERS	1,881,977	2,089,723	207,746	2,786,296	2,786,296	0
TOTAL TRANSFERS & EXPENSES	4,459,789	4,962,760	502,971	6,784,014	6,617,014	(167,000)
REVENUE						
User Rate Billings	4,471,913	4,304,906	(167,007)	5,604,875	5,739,875	(135,000)
Reserve Revenue	81,440	624,104	542,664	921,139	832,139	89,000
Interest and Investment	12,957	14,921	1,964	19,895	19,895	0
Sales, Fees and Charges	18,975	18,829	(146)	25,105	25,105	0
TOTAL REVENUE	4,585,285	4,962,760	377,475	6,571,014	6,617,014	(46,000)
NET POSITION	125,496	0	(125,496)	(213,000)	0	(213,000)

The Blue Mountains
Quarter 3 Financial Report
 Operating Summary - User Fee Supported Departments

	<u>Q3 Actuals</u>	<u>Q3 Budget</u>	<u>Q3 Variance F/(U)</u>	<u>Projected 2012 Actuals</u>	<u>Annual Budget</u>	<u>Projected Variance F/(U)</u>
EXPENSES						
Salaries, Wages & Benefits	\$347,301	\$343,796	(\$3,505)	\$458,395	\$458,395	\$0
Operating & Professional Expenses	132,842	129,323	(3,519)	189,430	172,430	(17,000)
Communications & Utilities	17,922	22,886	4,964	30,515	30,515	0
Repairs & Maintenance	22,962	58,125	35,163	77,500	77,500	0
Vehicle Related	13,428	16,369	2,941	21,825	21,825	0
Financial Expenses	85,866	91,910	6,044	122,547	122,547	0
TOTAL EXPENSES	620,321	662,409	42,088	900,212	883,212	(17,000)
TRANSFERS						
Transfers to Capital & Reserves	65,960	82,878	\$16,918	110,504	110,504	0
Interfunctional Transfers	56,556	153,608	\$97,052	204,810	204,810	0
Transfer To/From Unfinanced Capital	0	11,250	\$11,250	15,000	15,000	0
TOTAL TRANSFERS	122,516	247,736	125,220	330,314	330,314	0
TOTAL TRANSFERS & EXPENSES	742,837	910,145	167,308	1,230,526	1,213,526	(17,000)
REVENUE						
User Rate Billings	3,360	2,250	(1,110)	3,000	3,000	
Reserve Revenue	0	3,750	3,750	5,000	5,000	
Sales, Fees and Charges	767,804	629,829	(137,975)	810,772	839,772	(29,000)
Proceeds from Debt	0	274,316	274,316	365,754	365,754	
TOTAL REVENUE	771,164	910,145	138,981	1,184,526	1,213,526	(29,000)
NET POSITION	28,327	0	(28,327)	(46,000)	0	(46,000)