



## The Corporation of the Township of King Report to Council

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**From:** Finance Department

**Report Number:** FIN-2024-018

**Date:** Tuesday, November 12, 2024

**Title:** **Q3 Variance Report & Forecast for 2024**

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### Recommendation

1. That Council receive Report FIN-2024-018 for information.

### 1. Report Highlights

- On December 11, 2023, Council approved the Township of King's 2024 budget which included a gross operating budget of \$66,344,614.
- In effort to formally update Council, staff prepared a forecasted variance report using Q3-2024 actuals (up to September 30, 2024) and projections to the end of the year for each department.
- As of September 30<sup>th</sup>, 2024, the Township's 2024 year-end projection is a surplus of \$201,964. This surplus is comprised of \$2,365,152 favourable variance in overall revenues; and (\$2,163,191) unfavourable variance in overall expenditures.

*Note: The surplus referenced above is subject to change depending on spending and performance across the end of the year. Per regular budgeting processes, surplus funding is allocated to the Township's Tax Rate Stabilization Reserve Fund.*

- If a surplus is realized at the 2024 year-end, it will be allocated to the Tax Rate Stabilization Reserve Fund similar if a deficit occurs. The balance of the Tax Rate Stabilization Reserve as of December 31, 2023, is \$896,224 pending any adjustments.

### 2. Purpose

The purpose of this report is to provide a projection of the 2024 year-end operating variance.

### 3. Background

Staff within each department are responsible for the delivery of programs and services while managing their budgets within the Council-approved 2024 operating budget. While accountability for financial performance (e.g. actual revenues and expenditures) belongs with the Senior Leadership Team (SLT), both Finance and department staff share the responsibility of monitoring operating budget variances throughout the year

## 4. Analysis

Based on the actuals up to September 30, 2024, and estimates from October – December, the Township has forecasted an operating surplus of \$201,964 for 2024.

The table below (**Table 1**) provides an overview by department of the 2024 projected year end budget variance. Unfavourable is represented in (brackets) vs Favourable.

**Table 1**

### SUMMARY OF 2024 PROJECTED YEAR END BUDGET VARIANCE BY DEPARTMENT

	Total Forecasted Budget	Total Approved Budget	\$ Variance
<b>Corporate Accounts</b>			
Revenue	(44,288,488)	(42,942,762)	1,345,726
Expense	10,862,989	10,047,245	(815,744)
<b>Total Corporate Accounts</b>	<b>(33,425,499)</b>	<b>(32,895,517)</b>	<b>529,982</b>
<b>Public Works</b>			
Revenue	(16,074,238)	(15,552,223)	522,015
Expense	27,255,616	26,937,788	(317,828)
<b>Total Public Works</b>	<b>11,181,378</b>	<b>11,385,565</b>	<b>204,187</b>
<b>Community Services</b>			
Revenue	(3,184,607)	(3,171,499)	13,108
Expense	15,244,056	14,272,309	(971,747)
<b>Total Community Services</b>	<b>12,059,449</b>	<b>11,100,810</b>	<b>(958,639)</b>
<b>Growth Management Services</b>			
Revenue	(4,852,825)	(4,363,429)	489,396
Expense	6,837,120	6,466,441	(370,679)
<b>Total Growth Management Services</b>	<b>1,984,295</b>	<b>2,103,012</b>	<b>118,717</b>
<b>Corporate Services</b>			
Revenue	(140,450)	(181,500)	(41,050)
Expense	5,042,180	5,157,362	115,182
<b>Total Corporate Services</b>	<b>4,901,730</b>	<b>4,975,862</b>	<b>74,132</b>
<b>Finance Services</b>			
Revenue	(87,403)	(106,200)	(18,797)
Expense	1,677,872	1,745,079	67,207
<b>Total Finance Services</b>	<b>1,590,469</b>	<b>1,638,879</b>	<b>48,410</b>
<b>Office of the CAO</b>			
Revenue	(81,756)	(27,000)	54,756
Expense	1,587,970	1,718,388	130,418
<b>Total Office of the CAO</b>	<b>1,506,214</b>	<b>1,691,388</b>	<b>185,174</b>
<b>Total Operating</b>	<b>(201,964)</b>	<b>(1)</b>	<b>201,963</b>

## Department Overview

The following comments by department are high level, relevant explanations of the 2024 forecasted budget operating variance. Variance review and explanations are performed and provided through the combined efforts of Finance, with the department Directors and Managers.

**Corporate Accounts - Forecasted 2024 favourable variance of \$529,982**

- \$763,376 favourable variance for tax penalty fees due to a high tax receivables balance, higher than expected supplementary taxes and change from vacant lands to Industrial class for a new development at Jane St. and King Rd.
- \$22,382 favourable variance in insurance premium savings net of claim payouts.
- (\$255,776) unfavourable variance in contractual services due to additional cleaning cost of the Holland River Municipal Drain, a large tax write-off for a commercial property assessment in Q2, additional studies to comply with new accounting standards for 2023 year-end, and increased bank charges for the use of credit card payments with residents.

**Public Works - Forecasted 2024 favourable variance of \$204,187**

- \$413,789 favourable variance in salaries, wages.
- (\$349,183) overall unfavourable variance in user fee revenues mainly due to lower than budgeted water consumption fees received offset by higher-than-expected wastewater fees because of a very wet summer.
- (\$36,058) unfavourable variance in various cost/payroll recoveries.
- (\$2,633) unfavourable variance in operating supplies, mobile phones, software subscription, uniforms and clothing, training and development, mileage, memberships and other general office items.
- (\$133,699) unfavourable variance in winter maintenance for the higher cost of sidewalk contracts. At year-end, if needed, can draw from the Winter Control Reserve Fund to offset this deficit.
- \$311,971 favourable variance in various services including water supply costs from the Region related to the Schomberg reimbursement for Nitrification related flush water, lower than budgeted diesel and gasoline costs and savings in contracts for waste and recycling management.

**Community Services - Forecasted 2024 unfavourable variance of (\$958,639)**

- (\$377,992) unfavourable variance in salaries, wages and benefits due to restructuring and staff hirings related to new operational requirements such as for Zancor Centre and Special Events.
- (\$497,228) unfavourable variance in volunteer firefighter salaries, wages and benefits due to higher than expected call volumes and increased labour costs which is offset by some fire-related revenues.

- (\$206,082) overall unfavourable variance in user fee revenues; there are some favourable variances with Township league fees, hall and ice rentals and senior programming which offset against negative variances in recreation and camp program fees and lower turnout and cancellation of some special events.
- \$190,446 favourable variance in grants and other revenues including a projected environmental stewardship grant of \$120,000 to be received in November, donations for the Victoria Day fireworks and fees from the Foodcycler pilot program.
- (\$44,875) unfavourable variance in maintenance supplies due to heater and furnace repairs at the King City fire station and Schomberg records room.
- (\$21,238) unfavourable variance in operating supplies, mobile phones, software subscription, training and development, mileage, memberships and other general office items.
- (\$58,554) unfavourable variances forecasted in contractual services such as vehicle maintenance, and facility improvements including repairs at Nobleton Arena for a new roof, tube heater and rolling steel fire door replacement, Zamboni repairs and roof leak repairs at Trisan Centre and exterior wood re-staining at King City Library and Seniors' Centre.
- \$56,884 favourable variance in overall utilities based on current projections with billing.

**Growth Management Services - Forecasted 2024 favourable variance of \$118,718**

- \$469,800 favourable variance in salaries, wages and benefits.
- (\$54,484) unfavourable variance in planning applications, building permits and by-law fines offset by lower-than-expected pool permit applications, and delays in subdivision applications into next year.
- (\$81,664) unfavourable variance in development engineering cost recoveries that were corrections from previous periods.
- (\$37,588) unfavourable variance in use of external consultants to perform final inspections in place of vacant staff position, and a projected cost of \$25,000 for a drainage remediation.
- \$56,805 favourable variance expected in operating supplies, mobile phones, software subscription, training and development, mileage, memberships, and other office items.
- The estimated transfer to the Building permit reserve fund needed to balance the division to zero is (\$234,151) more than budgeted as a result of higher forecasted building permit activity.

**Corporate Services - Forecasted 2024 favourable variance of \$74,132**

- \$189,464 favourable variance in salaries, wages and benefits.
- (\$91,314) unfavourable variance in IT maintenance due to rising expenses with Microsoft, Adobe, and additional licensing for users.
- \$18,538 favourable variance in revenues of the Clerks division due to participation in the provincial pilot program for online marriage licenses.
- (\$3,282) unfavourable variance for operating supplies, meetings, consulting fees, travel, memberships and other general office items.
- (\$39,274) unfavourable variance in recruitment costs and legal expenses related to employee matters

**Finance Services - Forecasted 2024 favourable variance of \$48,410**

- \$51,063 favourable variance in salaries, wages and benefits.
- (\$2,653) unfavourable variance in administrative fees revenue, office supplies, consulting fees and other general office items.

**Office of the CAO - Forecasted 2024 favourable variance of \$185,174**

- \$156,020 favourable variance in salaries, wages and benefits.
- \$18,904 favourable variance for operating supplies, meetings, consulting fees, travel, memberships and other general office items.
- \$10,250 favourable variance in grants received in the Economic Development division.

## **5. Financial Considerations**

If a surplus is realized at the 2024 year-end, it will be allocated to the Tax Rate Stabilization Reserve Fund. If a deficit occurs at the 2024 year-end, it will be funded by the Tax Rate Stabilization Reserve Fund. The balance of the Tax Rate Stabilization Reserve as of December 31, 2023, is \$896,224 pending any adjustments.

## **6. Alignment to Strategic Plan**

The 2023-2026 Corporate Strategic Plan (CSP) was adopted by Council on June 12, 2023. The CSP reflects the priorities of upmost importance to the community and defines the obligations and commitments of the Township of King to its citizens and to the public. The CSP is aligned with the Townships long-term vision defined in the “Our King” Official Plan. The CSP also aims to ensure that staff initiatives focus on and work towards supporting King’s Vision, Mission and Values.

This report is in alignment with the CSP's Priority Area(s), and/or associated Objective(s) and/or Key Results(s):

Priority Area: Sustainable Asset Management

Objective: Increase data-driven decision making to improve organizational performance.

## 7. Conclusion

This report provides a high-level projection of the 2024 year-end variance based on actuals up to September 30, 2024, and forecasted estimates from October to December 2024.

## 8. Attachments

N/A

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