



MANAGEMENT REPORT

Date: April 24, 2023
To: Finance and Labour Relations Committee
From: Spencer Steckley, Manager of Financial Services
Report #: FIN23-016
Attachments: Q4 Variance Report – Preliminary 2022 Year-end Results

Title: Q4 Operating Budget Variance Report at December 31, 2022

Objective: To explain variances in the operating budget at December 31, 2022 and highlight preliminary year-end results for 2022.

Background: Regular monitoring of budgetary performance provides both early warnings of potential problems and ongoing tools to flag areas requiring attention. It gives decision makers time to consider actions that may be needed if major deviations in budget to actual results become evident.

This has been especially important during the COVID-19 pandemic as we try to mitigate revenue losses, inflationary pressures, and supply chain related issues while maintaining service delivery.

Analysis: Finance staff continue to process 2022 year-end transactions so it should be noted that the attached variance summary remains preliminary. The overall preliminary operating surplus for the year is \$1.4 million. Significant contributing factors include salary variances due to staffing vacancies and pandemic-related closures and supply chain issues impacting on budgeted revenues and expenditures.

The forecasted variance from budget include adjustments relating to year-end transactions yet to be processed and represent department and finance staff's best preliminary estimate of the final surplus position.

A subsequent report will be provided to Council once the final figures are known, and the audited financial statements are received that will include all PSAB and other accounting adjustments. The allocation of the surplus will be performed consistent with the reserves and reserve fund policies.

Detailed commentary on each of the departments' variances has been included in the attachment with this report. A high-level departmental overview has been provided below.

Human Resources

The forecasted excess over budget is approximately \$48,000 and relates to collective bargaining negotiations and arbitration legal and consulting fees.

Corporate Services (including Finance, Taxation, Clerks, IT)

The forecasted surplus of approximately \$467,000 for the year comes from a couple of main sources.

Interest and dividend payments from Festival Hydro were greater than budgeted by \$245,000. The dividends received are discretionary in nature and approved by the Festival Hydro Board. The budget was reduced in 2021 and 2022 due to uncertainties related to the pandemic, but this ended better than expected.

Financial Services also experienced a surplus due to consulting projects that did not occur in the year and several staffing vacancies with a combined effect of \$288,000.

Infrastructure & Development Services (IDS)

The IDS department as whole, has a surplus to budget of \$650,000.

Increased bag tag revenue, and revenues from the sale of recyclable materials resulted in a surplus to budget of \$376,000 for the Waste division. The Roads division also had a surplus of \$541,000 due to reduced maintenance expenses from a milder winter and staffing vacancies throughout the year. City Buildings incurred less-than-expected maintenance, utility and staffing costs during the year, creating a \$214,000 surplus to budget. These surplus variances were however offset by the deficit to budget in the Fleet division of \$532,000, due to cost overruns from inflation and supply chain issues, which drove prices for fuel and repair parts drastically upward.

Fire Department

As a result of collective agreement arbitration rulings throughout the year, additional expenses relating to salaries and benefits, uniforms and equipment were incurred. These expenses, along with unbudgeted repairs and maintenance expenses, resulted in a deficit to budget of \$181,000.

Community Services

Overall, the department is forecasting an \$837,000 surplus which is partially attributed to staffing vacancies throughout each of the divisions. Specifically in Transit, provincial lockdowns and On-demand transit led to reduced services and a corresponding

operational savings of \$175,000. Recreation facilities experienced lower than planned utility expenses of \$294,000 while Parks' revenue from donations and user pay fees helped create a divisional surplus of \$283,000.

Social Services

Social Services expects a relatively small surplus of \$88,000 after making adjustments to the shared services partnerships. A majority of the variance can be attributed to expenditures on specific initiatives (i.e. Resource Centre and Community Social Investment Fund or Emergency Planning) not occurring in 2022.

Year-end forecasts as noted in the attached. Currently forecasting an operating budget surplus of \$1,415,534. This is higher than expected earlier in the year but when considered in the context of the City's total budgeted revenues and expenses, this represents a 1% variance from the total budgeted revenues and expenditures of \$134 million.

This projected operating surplus is still subject to change based on year-end entries, but the current process outlined in the Reserve and Reserve Fund policy is to have the year-end surplus flow to the Tax Stabilization Reserve as part of the year-end close procedures. From there, funds in this reserve are used to 'stabilize' or mitigate subsequent year budget increases that relate to certain timing differences or unanticipated in-year variances if they arise. This approach ensures that surpluses are flowed back to the taxpayers.

Financial Implications:

Financial impact to current year operating budget:

There are no impacts to the 2023 operating budget as a result of 2022 activity and this is being reported for information only.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable:

As this report is being prepared for informational purposes, the One Planet Principles do not apply.

Staff Recommendation: THAT the Q4 Operating Variance Report at December 31, 2022, be received for information.

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