MANAGEMENT REPORT

Date: May 22, 2024
To: Finance and Labour Relations Sub-committee
From: Michael Koktan, CPA, CA, Manager of Financial Services
Report Number: FIN24-016
Attachments: Fourth Quarter 2023 Operating Variance Report

Title: Preliminary 2023 Year-end Results

Objective: To highlight preliminary 2023 year-end results and variances.

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 if major deviations in budget to actual results become evident.

The effects of the COVID-19 pandemic linger as we navigate changes to services and revenues, inflationary pressures, and supply chain related issues while meeting increasing expectations from residents.

Analysis: Finance staff continue to process 2022 and 2023 year-end transactions, so 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 supply chain issues impacting on budgeted revenues and expenditures.

The forecasted variance from budget includes planned adjustments relating to year-end and represents department and finance staff’s best preliminary estimate of the final surplus position.

The allocation of the surplus will be consistent with the reserves and reserve fund policies.

Detailed commentary on each of the departments’ variances is in the attachment with this report. A high-level departmental overview is below.

Mayor, Council, Committees

Slight wage and training expense surplus of 8% due to timing of payroll payments.

Chief Administrative Officer

Staffing vacancy led to wages, benefits, and training costs below budget by 6%.

Human Resources

The forecasted budget surplus is approximately 2% and is due primarily to planned training expenses not incurred in the year.

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

Overall, there is a slight deficit of about $13,000.

Finance/General: The division had a planned use of tax stabilization reserve funds of $1.5 million, however, due to supplemental taxes and additional interest income creating a slight surplus, the transfer will be significantly less, or not required at all. If this is the case, then the funds will remain in the tax stabilization reserve for future use. The effects of Bill 23, along with a decreased dividend from Festival Hydro, additional costs relating to shared services and a WSIB settlement relating to presumptive legislation changes created an unplanned deficit of 30%. As mentioned, this deficit is offset by other surpluses within the division, resulting in a lesser reliance on the tax stabilization reserve than planned.

Clerks: The forecasted budget surplus is approximately $231,000 and is due primarily to planned training expenses not incurred in the year and crossing guard vacancies.

IT: The forecasted budget surplus is approximately 13% and is due primarily to planned training expenses not incurred in the year.

Infrastructure Services (IS)

The IS department as whole, is tracking to breakeven between all the divisions.

Unanticipated fleet repairs, increased fuel costs and revenues below budget are partly mitigated by salaries below budget due to vacancies and lower than planned overtime costs.

Building & Planning Services

Building division required less than expected from its reserves to balance their budget due to slightly higher than planned permit revenues.

In the planning division, the 2023 budget was prepared with the intention of spending $150,000 on the official plan and having this offset with transfers from the reserve. With the creation of the new department and director, and considerable staff turnover, additional planning support was required, and the official plan was not completed. So, the reserve funds were not required for this purpose.

The by-law division did have a surplus, due to wage variances (staffing turnover) which helped reduce the planning deficit by $74,000.

Fire Department / Airport

As a result of collective agreement arbitration rulings throughout the year, additional expenses occurred relating to salaries and benefits, uniforms, and equipment. These expenses, along with unbudgeted repairs and maintenance expenses, resulted in a deficit to budget of $43,000.

The airport experienced a surplus of $31,000 due to contractor expenses below budget.

Community Services

Overall, the department is forecasting an $837,000 surplus, due largely to staffing vacancies throughout each of the divisions. Increased ice rental and facility revenues, combined with unspent maintenance dollars contributed to the surplus.

Social Services

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

Conclusion

Year-end forecasts as noted in the attached. Currently forecasting an operating budget surplus of $1,414,181. 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 any unallocated year-end surplus flow to the Tax Stabilization Reserve. From there, this reserve is 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 benefit taxpayers through usage in a subsequent year.

Financial Implications:

Financial impact to current year and future year operating budgets:
There are no impacts to the 2024 or subsequent operating budgets because of 2023 activity and this report is for information only. If a final surplus results from the accounting currently underway, it will flow into the tax stabilization reserve for future use towards one-time effects in future budget years.

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 report titled, "Preliminary 2023 year-end results" (FIN24-016), dated May 22, 2024, be received for information.

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