



Subject: Trimester 2 Reporting

To: Council

From: Corporate Services Department

Report Number: 2021-263

Meeting Date: October 12, 2021

Recommendation:

That Corporate Services Department Report 2021-263 be received for information; and

That the recommended transfer to the working capital reserve of \$129,400 and a building condition audit of all City buildings for \$75,000 be approved.

Purpose:

This report serves to provide Council with a summary of budget to actual spending, capital and related projects, reserves, debt management and investment activity as at the end of the second trimester of 2021.

Background:

This report serves to support the strategic plan of the City of Port Colborne (the “City”).

Discussion:

Financial Services identifies this report is new to the City and its structure is a work-in-progress. The 2021 budget has been re-forecasted to account for the reorganization and elimination of the Community Services division.

The majority of the appendices are designed for ledger paper as a result of font size. Should a user of this report require a printed copy, a printed copy can be provided upon request.

While some high-level comments have been provided below, Financial Services encourages Council to reach out to staff for further discussion.

In preparing the 2021 T2 (trimester two) report, certain assumptions and estimates are necessary. These estimates are based on information available to staff at the time. Actual results may vary.

Users of this report are reminded the T2 reports on financial activities during the period from January 1 to September 30 with a forecast to December 2021. In this report only forecast and 2021 budget figures have been included. The trimester reports in 2022 will include year to date actuals.

The summary below represents forecasted financial figures for the year ended December 31, 2021.

Details illustrated by department and division are attached in the appendices to this report.

		Total Levy	Total Levy: Self-Sustaining Entities	Total Rate	City Wide Total
FORECAST	Revenue	29,068,460	2,066,687	12,412,200	43,547,347
	Personnel Expenses	14,876,343	774,500	991,600	16,642,443
	Operating Expenses	11,494,869	609,150	7,804,650	19,908,669
	Total Expenses	26,371,212	1,383,650	8,796,250	36,551,112
	Surplus/(Deficit) Before Allocations	2,697,249	683,037	3,615,950	6,996,236
	Allocations (To)/From Departments	(668,246)	668,246	-	-
	Surplus/(Deficit) After Allocations	3,365,495	14,791	3,615,950	6,996,236
	Transfer To/(From) Reserves	5,285,639	14,791	1,104,106	6,404,536
	Transfers To/(From) Rate	(2,511,844)	-	2,511,844	-
	Surplus/(Deficit)	591,700	-	-	591,700

Note: The Self-sustaining-entities (SSEs) and Rate budgets register as balanced because any surplus/(deficit) is transferred to/(from) reserves in recognition of these activities being self funding. Additional comments on each are below.

While there are a number of moving parts within the budget, staff would direct Council's attention to the following areas of the levy, SSE and rate forecasts as follows:

Levy

- Additional gas tax and previously unbudgeted funding as a result of a Provincial Aggregate formula has been received as revenue and transferred to the capital budget in the combined amount of \$709,000.
- Personnel expenses are forecasted \$492,000 higher. A total of \$414,800 is forecasted to be offset from COVID-19 funding from the Province.
- Utility savings and reductions in personnel costs at the Vale Health and Wellness Centre offset lost revenue in that facility.
- Penalty and interest income is forecasted \$130,000 higher primarily the result of one taxpayer. This figure is partially offsetting the legal budget pressure of \$172,000.
- Included in the forecast are two recommended transfers as follows:
 - The first is to transfer \$129,400 to the working capital reserve to support maintaining the reserve at a level as set out in the City of Port Colborne's (the "City") Reserve Policy. At the time of writing this report the City is in compliance with the Reserve Policy. This recommended transfer will support compliance in 2022 following the 2022 budget process.
 - The second is to fund \$75,000 for building condition assessments. An internal miscommunication occurred during the 2022 Capital Budget process, whereby a Phase 2 – Building Condition Assessment was budgeted. This request in the 2022 Capital Budget includes AODA and designated substance work. Upon review it has been identified the initial Phase 1 has never been proposed or funded. The Phase 1 is to do the initial core building condition audits of all City buildings.

Self-Sustaining Entities (SSE)

- The Marina has experienced a record year in seasonal boaters. The budget originally accounted for a \$13,000 transfer from the reserve to fund capital at the Marina. This forecast now identifies a small transfer to the reserve of \$3,000. This forecast accounts for a 10% rather than a 5% overhead allocation between the Marina and Levy to better reflect increasing insurance costs.
- Beach revenue was approximately \$350,000 vs. \$196,200 budget which offset higher staff, security, and washroom related costs. This forecast currently identifies a transfer to the Beach reserve of \$33,750. Similar to the Marina, the forecast accounts for a 10% rather than a 5% overhead allocation.
- The Cemetery financials are forecasted in-line with budget. Staff have identified this SSE is not covering the costs of related public works time as such time has not been recorded to the SSE. Staff are reviewing and anticipate further discussion regarding this topic when setting Cemetery fees in the future.
- Building Inspection is now reflected in the SSE grouping. As discussed during the 2021 budget year this division is self funding per regulation. Revenue is projected higher than budget as a result of one larger project. Staff have forecasted funding for a fee review to ensure the department will remain self funding in the future.

This forecast currently identifies a transfer to the Building Inspection Reserve of \$12,300.

Rates

- Staff have reviewed the overhead and related chargeback allocations between the levy and rate budgets. This forecast reflects an adjustment to those allocations as follows:

	Previous	Forecasted
Storm Sewer	50,000	68,000
Wastewater	278,550	460,000
Water	278,550	460,000
	607,100	988,000

Staff are also intending to propose the new forecasted amounts in the 2022 Levy and Rate budgets. Once information is received within the next month from the Niagara Region on their rates, staff will be able to forecast the future impact. Staff intend to propose water and wastewater rate options during the Rate budget, including holding the 5/8" to 3/4" meter rates constant.

- The Storm Sewer budget is forecasting a \$69,000 transfer to reserve because of contract services being forecasted as underbudget. Financial Services and Public Works identify that staff are working on adjusting the boundary which will remove some properties from the current storm sewer boundary. The amount of possible refund is not known at the time of this report and has not been reflected. As indicated during the 2022 Capital and Related budget presentation, any refund will be funded from the Storm Sewer reserve.
- The Wastewater budget is forecasting a \$4,100 transfer to reserves and the Water budget is forecasting \$116,100 to reserves. Staff highlight these figures are most likely to fluctuate as weather and lake conditions change. At present, Niagara Region charges have been forecasted as budgeted but may change during the year-end true up. Staff note that at the time of writing this report wastewater sent to the Niagara Region plant is down 20% while the system is down 12%. This should result in a reduction of charges from the Niagara Region on wastewater.

Internal Consultations:

Financial Services would like to thank all City departments for their leadership and cooperation in developing this trimester two report.

Financial Implications:

This financial report is for information purposes to help inform future decision making.

Public Engagement:

This report supports the City's on-going commitment to accountability and transparency.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Financial Services reminds users of this report that in preparing the 2021 T2 report, certain assumptions and estimates are necessary. These estimates are based on information available to staff at the time. Actual results may vary.

Should the City achieve a surplus at year-end, staff identify one potential use could be to fund and/or support a repair to the Vale Health and Wellness Centre roof. In addition to potential year-end surplus, staff have also submitted a grant application related to the roof repair.

Appendices:

- a. Appendix – A – Summary
- b. Appendix – B – Department Summary and Detail
- c. Appendix – C – Divisional Summary and Detail
- d. Appendix – D – Capital and Related Projects Summary
- e. Appendix – E – Reserves
- f. Appendix – F – Debt Management
- g. Appendix – G – Investments

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.