



# THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

## FYI REPORT

**Subject:** 2023 6-Month Financial Report

**FYI Report Number:** Financial Services-2023-22

**Meeting Date:** Wednesday, August 9, 2023

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### **Purpose of Report:**

The purpose of this report is to provide an update on the financial status of the Municipality and current capital projects as of June 30, 2023.

**Report:** Overall, the operating expenses are under budget by \$4,071,000 (22.1%) and the operating revenues are over budget by \$453,000 (2.5%). The following summarizes the year-to-date (YTD) operating variances in comparison to the budget.

### **Revenue:**

**Taxation:** Taxation revenue is \$261,000 (2.6%) higher than YTD budget. This is primarily due to supplemental bills issued. Tax write-offs are not processed until later in the year and account for \$58,000 (22%) of this variance.

**Fees & User Charges:** Fees and user charges are \$53,000 (3.6%) less than YTD budget. This is primarily due to the following factors:

- Bag tag sales are \$51,000 less than YTD budget. YTD bag tag sales are \$292,000 compared to \$252,000 (2022). The budgeted revenues increased by \$160,000 (30%) primarily due to the \$1.00 increase in the cost of bag tags.
- Day camp registration fees are \$109,000 less than YTD budget as these are recorded throughout the summer months when the program occurs. As of July 31<sup>st</sup>, day camp revenues are \$96,000 which represents 44% of the total amount budgeted.

Offsetting revenue increases include:

- Rental fee income is \$22,000 (11%) higher than YTD budget, which includes ice rentals, pool, gym and parks revenues. Pool admission fees are \$10,000 (49%) higher than YTD budget and swim lessons are \$20,000 (26%) higher than YTD budget.

- Tipping fees are \$18,000 (8%) higher than YTD budget. In comparison to prior year, YTD tipping fees amount to \$238K compared to \$204K (2022).
- Health club memberships are \$15,000 (50%) higher than YTD budget. Memberships have steadily increased post-Covid. Total revenues are \$45,000 compared to \$14,000 at this time last year.
- Cemetery lot sales are \$17,000 (42%) higher than YTD budget. Cremations are \$8,000 (76%) higher than YTD budget.

**Sewer Revenue:** Sewer charges are \$139,000 (11.8%) higher than YTD budget. There was a consumption adjustment billing at the Bruce Energy Centre which accounts for the majority of this difference.

**Grant Revenue:** Grant revenue is \$19,000 (2.3%) less than YTD budget. The majority of this variance is due to the timing of recording funding under the Municipal Modernization Program (MMP) Intake 3 grant for the Records Management system which will be recorded at year-end based on actual expenses.

**Other Income:** Other Income is \$686,000 (40.0%) higher than YTD budget. This is primarily due to the following:

- Armow Wind annual payment has been received in the amount of \$667,000. This is \$337,000 higher than YTD budget as the budget distributes the amount equally throughout the year. This amount will be transferred to the Community Benefits Reserve Fund 75 for community projects.
- Marina dockage fees are \$106,000 higher than YTD budget as these are recorded in Q1, whereas the budgets assumes they are distributed equally throughout the year. Revenues are \$213,000 compared to \$200,000 in the prior year.
- The Westario Power dividend was received in the amount of \$53,907 whereas this was not budgeted for in 2023. Consistent with prior years, the dividend will be transferred to the Lifecycle Reserve Fund 82 at year-end.
- Bank interest income is \$188,000 higher than YTD budget as the estimates are very conservative. The current bank interest rate is 5.39%.
- Road cut permits are \$17,000 (460%) higher than YTD budget as a result of natural gas connections which require this permit.
- Parks revenues are \$17,000 (100%) higher than YTD budget as the Bluewater Trailer Park fees are billed in Q2.
- Other revenue fees are \$48,000 higher than YTD budget for the Bruce Power water supply project. Engineering and legal fees incurred for this project are reimbursed by Bruce Power and recorded as revenue.

This is offset by the following:

- Building permits are \$79,000 (49%) less than YTD budget. In comparison to prior YTD, building permit revenues are \$83K compared to \$268K (2022).

- Marina fuel sales are \$24,000 (48%) less than YTD budget as the majority of sales occur in the summer months.
- Airport fuel sales are \$22,000 (46%) less than YTD budget.

**Reserve Fund Contributions:** Reserve Fund contributions are \$558,000 (100%) less than YTD budget. Most contributions are calculated at year end and transferred at that time.

### **Expenses:**

**Salaries & Benefits:** Salaries and benefits are \$1,357,000 (21%) less than YTD budget. This is due to a number of factors:

- The vacation accrual credit for 2022 accounts for \$770,000 (57%) of the variance<sup>1</sup>.
- Full time wages are \$234,000 (6%) less than YTD budget primarily due to the timing of pay periods. Wages are posted up to Pay Period #13, which ends June 17<sup>th</sup>.
- Part time wages are \$245,000 (28%) less than YTD budget. Of this amount, \$155,000 (63%) is due to the timing of pay for the volunteer firefighters, which are paid twice annually (July/December).
- Council wages are \$18,000 (15%) less than YTD budget due to timing of payments.

**Interest Payments:** Interest and principal payments are \$296,000 (33.5%) less than YTD budget. This is primarily due to the timing of when the loan payments are made throughout the year as well as the budgeted amount for the Queen St reconstruction project. The first year of payments was budgeted for 2023, but no amount has been borrowed to date.

**Materials & Supplies:** Materials and supplies are \$579,000 (15.1%) less than YTD budget. The favourable variances include:

- Loosetop maintenance of \$154,000 (99%)
- Parks & horticulture materials of \$30,000 (91%)
- Program supplies for recreation programs \$27,000 (59%)
- Computer purchases \$12,000 (42%)
- Equipment purchases \$20,000
- Hydro \$75,000 due to timing of invoicing (12%)
- Purchase of BEC water from Bruce Power \$65,000 (100% - entry occurs at year-end)
- Training expenses \$22,000 and conference expenses \$11,000 (12%)

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<sup>1</sup> A vacation accrual is the amount of vacation time that an employee has earned but not yet used or paid. The total vacation accrual as at December 31, 2022 amounted to \$770,000, which was reversed in January 2023 and is reflected as a credit in each home department's budget.

- Advertising \$20,000 (55%)
- Grounds maintenance \$21,000 due to seasonality (28%)
- Equipment maintenance \$46,000 (22%)
- Environmental Committee \$9,000
- Fuel/diesel \$62,000 (21%)
- Airport fuel purchases \$24,000 (54%)
- Vehicle maintenance \$27,000 (13%)
- Interdepartmental water \$27,000 (31%)

Offsetting unfavourable variances include:

- \$43,000 (24%) in software fees, based on timing of invoicing
- \$26,000 (29%) in water and wastewater chemicals
- \$37,000 (12%) in building maintenance. Of this overage, \$13K (35%) represents maintenance costs associated with the WE Thompson building for which we are fully reimbursed by Bruce Power. Pool maintenance costs exceeded the total annual budget by \$10,500 (21%) due to an unplanned pump failure.

**Contracted Services:** Contracted services are \$91,000 (3.2%) less than YTD due to the following:

- Dredging \$75,000 (100%) as the project has not yet commenced
- Grass cutting contracts \$11,000 (85%) due to seasonality
- Ongoing work associated with the Zoning by-law update of \$43,000 (68%)
- Parks Master Plan \$42,000 (100%)
- Community Improvement Plan (CIP) consulting fees \$31,000
- Yacht Club labour \$23,000 (43%) due to seasonality
- Landfill disposal costs for brush, shingles and drywall \$19,000 (33%) due to timing of disposal

Offsetting unfavourable variances include:

- Legal fees \$60,000 (73%)
- Engineering fees \$94,000, which are billed back to Bruce Power for the water supply project
- Municipal drain costs \$64,000

**Other Transfers:** Other transfers are \$28,000 (7.5%) less than YTD budget. This is primarily due to timing of physician recruitment incentive payments and festival funding.

**Rents and Financial Expenses:** Rents and financial expenses are \$65,000 (41.6%) less than YTD budget. This is primarily due to property taxes for municipal facilities of \$82,000. This entry is performed at year-end. This is offset by the timing of vehicle leases of \$8,000 and the final payments for the tourism office of \$7,000.

**Reserve Fund Transfers:** Reserve Fund transfers are \$1,655,000 (40.8%) less than YTD budget due to timing. Reserve fund transfers are performed in June, September and at year end.

**Summary:**

Without including the variances of the reserve fund contributions and transfers, the YTD surplus would be \$3.43M. Given the seasonality of many budget items and adjustments that are performed at year end, it is too early to determine if we will be in a surplus position for 2023.

**Capital Projects:** The 2023 capital projects have been reviewed for the period ending June 30, 2023 and a brief summary and status update is presented in the attached schedule. Several projects were ongoing from 2022 and updates are provided on these projects as well. The variance explanations have been limited to projects with 100% of the budget remaining or greater than 10% negative variance or in excess of \$15,000.

**Attachments:** June Operating Statement, Capital Analysis as of June 30, 2023

**Prepared by:** Shelby Clancy, Manager of Financial Services

**Submitted by:** Shelby Clancy, Manager of Financial Services