



Committee of the Whole
Discussion Report

Agenda Item #

3.0

Subject:	First Quarter Variance Report
Meeting Date:	2022-05-17
Presented By:	Marika von Mirbach, Financial Planning Coordinator
Prepared By:	Marika von Mirbach, Financial Planning Coordinator
Background/ Proposal	<p>Council receives quarterly financial reports during the year. These reports are intended to inform Council of financial transactions to-date and how expenditures, revenues and other financial indicators compare to the annual operating budget and plan which Council has previously approved.</p> <p>The purpose of this report is to:</p> <ul style="list-style-type: none"> • Report on the operating budget performance to-date. • Provide other supplementary information on key financial indicators for the municipality. <p>This is the report for the period ending March 31, 2022 (1st Quarter).</p>
Discussion/ Options/Benefits/ Disadvantages:	<p>The County is required under the <i>Municipal Government Act (MGA)</i> to approve both an operating and capital budget which are balanced and fully funded. To achieve this, the budget is prepared on a fiscal viability basis and is monitored and controlled to achieve this desired outcome of a balanced budget. As such, all budgeted revenues must equal budgeted expenditures.</p> <p>The municipality follows the legislative financial requirements of the <i>MGA</i> and its supporting Regulations. In addition, the municipality meets or exceeds all policy statements of the Canada Public Sector Accounting Handbook, which is governed by the Chartered Professional Accountants Canada (CPA).</p> <p>The budgeting process allows municipalities to prioritize projects, programs and service levels based on anticipated revenue and expenses. A municipality's annual budget routinely consists of two components:</p> <ul style="list-style-type: none"> • The Operating Budget plans for a municipality's day-to-day expenditures (e.g., salaries, wages, benefits, heat, electric, and maintenance of buildings and infrastructure, etc.). • The Capital Budget plans for the purchase and financing of assets or improvement of existing infrastructure (e.g., roads, water and wastewater facilities, county facilities and major projects, etc.) <p>For accounting and budgeting purposes, the County's activities are segregated by department or area of responsibility. There are many reasons to budget this way: it shows the responsible approximation of revenues and expenses related to each department, it allows for the accounting of specific activities and it allows for easier reporting to Council and our ratepayers and Provincial or Federal bodies.</p>

This RFD includes the following Financial Reports:

- Operating Budget Summary by Function (Appendix A)
- Operating Budget Summary by Department (Appendix B)
- Investment Summary (Appendix C)

Typically, each quarterly report provides information regarding ongoing Capital and Operating projects. Capital and Operating projects for 2022 were approved in late March, 2022; as such, minimal costs have been incurred to March 31, 2022, and no significant trends indicating projects will be over or under budget have been identified. A detailed project report will be presented to Council with the quarterly report for the period ending June 30, 2022. This also applies to the reserve continuity which relies on the status of projects to estimate reserve funding which will be available for the next budget cycle.

The following section provides details and commentary on the operating budget summary schedule.

Operating Budget Summary by Function (Appendix A)

The purpose of this schedule is to provide Council a corporate summary of the Operating Budget Performance for the three months ending March 31, 2022, and to provide explanations for unfavourable or favourable corporate results forecasted to year-end.

The body of this report will focus on Appendix A, which provides operating results by the classification of the revenue source or nature of expenditure. Appendix B, which is presented by organizational unit, is provided for reference on the individual performance of each department.

There are no significant trends which are projected to generate a large surplus or deficit at year-end; all operations are reasonably on track based on expectations. The net forecasted revenue/expenditure year-end result anticipates a surplus of \$447,770 which represents a 1% overall variance on the Operating Budget. A large portion, \$201,836, of the projected surplus pertains to payments received from the province related to the 2018 flooding DRP claim, which were not included as revenues in the 2022 operating budget.

Revenue Summary - \$223,173 Favourable forecasted at Year-End

The favourable revenue variance relates to funds received in the amount of \$201,836 related to a DRP claim from flooding back in 2018. These revenues were not included in the 2022 operating budget, as they are funds received which are reimbursements for expenses incurred in 2018.

Penalties and Fines is showing a positive variance as at the first quarter, but is projected to be in alignment with budget at year-end. This is a result of penalties and fines, related to taxes, being booked which are not anticipated to be collectable, but have not been written off by Council. A subsequent report to Council regarding these uncollectable penalties will be brought forward later in the year.

All other revenue streams are in line with expectations, and no significant year-end variances are anticipated.

	<p><u>Expense Summary \$224,599 Favourable forecasted at Year-End</u></p> <p>The majority of expenditures are in line with expectations. Administration continues to provide all budgeted services to ratepayers.</p> <p>Both the “<i>Contract Goods and Services</i>” and “<i>Materials, Goods, Supplies and Utilities</i>” classifications are reflecting slightly more favourable variance for the first quarter than anticipated at year-end. This is mainly reflecting the timing difference of the goods or services being ordered and the actual payment for those goods or services. In most of these classifications there is a lag, for example the fuel consumption for January is not billed until February. Administration has been improving the forecast model on an ongoing basis to address reporting lags; however, some lags will continue to be present during the year.</p> <p>A favourable variance in Salaries and Wages is anticipated through to year-end due to turnover vacancies during the first quarter in several positions across the organization.</p> <p><u>Operating Summary</u></p> <p>Overall, the first quarter has not generated any significant variances to budget. Additional insight into the projected year-end results will be strengthened in future quarterly reports.</p> <p><u>Investment Report (Appendix C)</u></p> <p>Administration has endeavored to implement new investment strategies in 2021 and 2022 to improve investment returns. As detailed in Appendix C, the rate of return on cash investments now ranges from 0.7% to 1.8%.</p> <p>The prime rate of return was adjusted by the Bank of Canada in April 2022, the impact this will have on investment returns will be reflected on the Q2 variance report.</p>
Link to Strategic Plan:	Improving Fiscal Sustainability
Discussion Outcome:	Communication on financial position as compared to budget as at March 31, 2022.
Attachments:	<ul style="list-style-type: none"> • Operating Budget Summary by Function (Appendix A) • Operating Budget Summary by Department (Appendix B) • Investment Report (Appendix C)

Director Approval: _____
Name, Title



CAO Approval: _____
Mike Haugen, Chief Administrative Officer