



# Town of Erin

## Corporate Report

**Department:** Corporate Services

**Business Unit:** Finance

**Presented/**

**Prepared By:** Wendy Parr, Director of Finance & Treasurer

**Report Number:**  
F2023-07

**Meeting Date:**  
5/11/2023

### Subject

**4<sup>th</sup> Quarter Variance Report Ending December 31, 2022**

### Recommendation

**Be it resolved that** Council hereby receive report number F2023-12 “4<sup>th</sup> Quarter Variance Report Ending December 31, 2022” for information;

**And that** the Operating surplus of \$545,405 be transferred and allocated as follows: \$41,000 to the Economic Development Reserve, \$75,000 to the Heritage Fund, and \$429,405 to the Tax Rate Stabilization Reserve;

### Highlights

This report is to provide Council with 4<sup>th</sup> quarter financial results for 2022 of the Operating Budget Summary (Appendix A) which had a surplus of \$545,405. Contributing factors include the increase in building permits, planning zoning revenue and proactive collection of taxes. These increases were partially offset by COVID expenses from the beginning of 2022. As per the Annual Surplus Policy, Staff recommend that the operating surplus of \$545,405 be transferred and allocated with \$41,000 to the Economic Development Reserve, \$75,000 to the Heritage Reserve and \$429,405 to the Tax Stabilization Reserve. The Annual Surplus Stabilization Policy deems that the surplus be utilized in a manner which contributes to long term financial health and stability. Moreover, Appendix B includes the 2022 4<sup>th</sup> quarter results for the Capital Budget report on actual spending. Appendix C contains quarterly operating budget versus actuals by department. Reserves and Reserve Fund schedule is included in Appendix D with comments of how the reserves were used.

### Background

The overall financial results for the Town of Erin is a surplus of \$545,405 for the year ended December 31, 2022. Town staff have been sound fiscal stewards, demonstrating strong financial management as evidenced by the unqualified annual Auditor’s Report and the past five years of annual surplus. Prior year Capital Projects that were delayed

due to COVID 19 and supply chain shortages were underway and/or completed in 2022 with the balance transferred to 2023.

### **Operating Results by Program**

This report is to provide Council with a financial summary by department and account groupings of the Operating Budget results in Appendix A. A financial summary for each department/program is included in Appendix C. The Capital Budget expenditure results for the year ending December 31, 2022 is included in Appendix B. Schedule D provides a list of Reserves and Reserve Funds additions and disbursements with comments.

Total Program Net results were on target at 103% with larger variances in Economic Development, Advisory Committees, By-Law enforcement/Crossing Guards and Parks and Recreation. Variance explanations will be provided below for departments that had less than 90% or greater than 110% of budget and \$10,000 variance.

#### ***Economic Development – Net Operations Result \$209,375 or 80%***

Net result variance is positive due to a Provincial grant administered through Central Counties Tourism opportunity applied for and received. Funds were used towards three very successful and diverse Economic Development initiatives; Erin Winterfest and the Christmas Market held in the Erin Downtown at McMillan Park; the first year of publishing the much anticipated 'Erin Life' magazine; and a very popular series of ten webinars for Creative Professional start-ups and entrepreneurs.

#### ***Advisory Committees – Net Operations Result \$31,031 or 54%***

Net result variance is mostly due to 'Lets Get Hillsburgh Growing' fundraising and expense and Community Grant allocations. There was less activity overall due to the late Spring relaxing of COVID 19 restrictions.

#### ***By-Law Enforcement/Crossing Guards – Net Operations Result \$11,723 or 106%***

Net result variance is due to lower Labour costs with the hiring of a full time By-Law officer in July, and Crossing Guards not working at the beginning of the year due to COVID school closures. There were also legal costs associated with property issues. In other Revenue, Dog Tag Licenses did not meet budget.

#### ***Parks and Recreation – Net Operations Result \$46,382 or 106%***

The most significant variance is revenues which were \$424k or \$263k unfavourable with ice rentals resuming in February due to health protocols, and facility availability in the fall. The Summer Camp was very successfully attended with \$12.6k favourable variance. Labour costs were lower due to openings in several part-time positions. Repairs and Maintenance and utilities were higher due to inflationary pressures throughout the year.

### ***Water – Net Operations Result is Nil***

Revenues for Water Systems were at 90% of Budget. This was mostly due to older metres that have planned replacement.

For expenses, the largest variance was in General Maintenance and Repairs due to unexpected Watermain repairs and service connections.

### ***Waste Water – Net Operations Result is Nil***

Revenues were budgeted to be transfers from Reserves and Reserve Fund to offset wastewater expense related to up front expenditures for developer financing agreements. There were legal and consulting costs associated with the financing agreements, growth management and front-ended agreements.

### ***Capital Budget Results for the 4<sup>th</sup> Quarter***

The total planned capital spending for 2022 included projects from the 2022 Capital budget and prior years carried forward. For the period ending December 31, 2022, \$2.5m was spent (excludes Waste Water) and some projects were not completed. Appendix B provides a summary and status updates for all capital projects.

The following is a status summary of Appendix B.

- Corporate Services project Electronic Records Management is a 5 year project with years 2 to 5 to be transferred to future years. The new Server will be transferred to 2023.
- For Fire and Emergency Services, small capital projects had remaining funds and are to be transferred to 2023. The balance of the Electronic Messaging signs were delivered and installed early in 2023.
- For the Roads Department, the Tandem Axle Snow Plow has been delivered and paid for early in 2023. Bridge 11 and Culvert 2059 were completed, with Culvert 10 delayed to 2023 due to a design adjustment. Surface treatment is an annual program. Other projects are carried forward to 2023.
- For the Water Program, all capital projects are underway. The ICIP Green Grant for the Watermain project has been approved.
- The Waste Water plant and the Linear Works were awarded in 2022 and construction is underway. All costs associated with this project will be recovered from developers.
- The majority of Parks and Recreation Capital Projects are underway with the balance transferred to 2023. The Erin Rotary Riverwalk Trail was completed that included a grant from Federal Development Ontario.

**Reserves and Reserve Funds for the 4<sup>th</sup> Quarter**

Reserves and Reserve Funds increased by \$869k per the summary below. There was a \$265 Decrease to Reserves and a \$1.1m increase to Reserve Funds. Appendix E lists all reserves and reserve funds with additions, disbursements and comments.

	Reserves	Reserve Funds	Total
Opening Balance	11,497,636	24,189,411	35,687,047
Additions	316,857	58,124,367	58,441,224
Disbursements	582,235	56,989,873	57,572,108
Balance	11,232,258	25,323,905	36,556,163

For Reserves, the majority of increases were transfers to fund future capital projects, and disbursements were a use of reserves for approved capital projects and grants according to council approval.

For Reserve Funds, the most significant increase was \$53m from developers front ending agreements related to the wastewater plant and collection system. Also, \$987k was collected from development charges. Disbursements were to fund eligible projects funded by development charges, loan payments and from grants

**Strategic Pillar**

Service Excellence & Good Governance

**Financial Impact**

In summary, the total operating budget surplus of \$545,405 is recommended to be disbursed to the Tax Rate Stabilization Reserve, Economic Development Reserve and Heritage Fund.

**Conclusion**

The 4<sup>th</sup> Quarter Variance Financial Report provides Council with operating and capital spending for the Town of Erin. There was an operating surplus of \$545,405 which is recommended to be disbursed as follows:

- 1. \$ 41,000 to the Economic Development Reserve due to surplus
- 2. \$ 75,000 to the Heritage Fund due to surplus
- 3. \$429,405 to the Tax Rate Stabilization Reserve;

Additionally, the report provides Council with a summary of changes in the Reserves and Reserve Funds balances.

**Attachments**

- Appendix A – 2022 4<sup>th</sup> Quarter Operating Variance Report Summary
- Appendix B – 2022 4<sup>th</sup> Quarter Capital Projects Budget vs Actuals
- Appendix C – 2022 4<sup>th</sup> Quarter Operating Budget vs Actuals by Department

Appendix D – Reserve and Reserve Fund Balances as of December 31, 2022

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Chief Administrative Officer

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