

STAFF REPORT

Department: Finance Department

Date: August 13, 2024

Item: Budget to Actual 2024 Quarter 2 (Q2)

Recommendation: Be It Resolved That: Council accept this quarterly budget to actual report for information.

Background: According to the Municipal Act 2001 section 224(e), It is the role of Council to maintain the financial integrity of the Municipality. Quarterly variance reports with forecasts for the year end allow Council to understand current financial position of the town, to consider resource allocation or adjustments to spending. Please note that the amounts referred to in this analysis are unaudited and subject to change.

Analysis:

Overall, staff have forecasted that there will be an operating shortfall of approximately \$15,000 when compared to budget projections without consideration for amortization. The major differences in budget are:

Saving and Additional Revenues:

Un-anticipated revenues	\$246,511
In year cost savings	124,464
Unused contingencies	32,153
Sub total	\$403,128

Less: shortfalls

Levy	\$204,403
Community Improvement Plan	150,770
Salaries and Benefits	36,311
Combined small expenses	26,443
Sub total	\$417,927

Total	\$14,799
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The financial summary below compares forecasted revenues and expenditures to the annual budget. The forecast is based on Quarter 2 (January to June) Year to Date actuals.

Town of Espanola				
2024 Budget vs actual with 2023 comparison - Operating				
By department Net (Revenues less expenses)				
	2024 Budget	Forecast to end of year (2024)	% Change Forecast over budget	\$Change budget to forecast
3 Revenue				
⊕ Sch10 - Donations	-85,259	-88,729	4.07%	-3,470
⊕ Sch10 - Gain Loss on sale of land and TCA	0	0	#DIV/0!	0
⊕ Sch10 - Government Transfers	-2,536,281	-2,536,281	0.00%	0
⊕ Sch10 - Investment Income	-375,000	-434,474	15.86%	-59,474
⊕ Sch10 - Licences and permits	-4,650	-4,650	0.00%	0
⊕ Sch10 - Other fines	-148,320	-129,436	-12.73%	18,884
⊕ Sch10 - Penalties and Interest on Taxes	-130,000	-128,345	-1.27%	1,655
⊕ Sch10 - Provincial Offences Act (POA)	-395,000	-530,306	34.25%	-135,306
⊕ Sch10 - Rents, Concessions and franchises	-44,600	-52,282	17.22%	-7,682
⊕ Sch12 - Canada Conditional Grants	-255,801	-172,326	-32.63%	83,475
⊕ Sch12 - Ontario Conditional Grants	-206,977	-158,288	-23.52%	48,689
⊕ Sch12 - Ontario Grants - Tangible Capital Assets	-19,455	-19,455	0.00%	0
⊕ Sch12 - Other Municipalities	-34,512	-34,512	0.00%	0
⊕ Sch12 - User Fees and Service Charges	-3,807,011	-3,963,586	4.11%	-156,575
⊕ Sch26 - Taxation	-8,566,510	-8,606,108	0.46%	-39,598
⊕ Sch40 - Rents and Financial Expenses	0	0	#DIV/0!	0
⊕ Transfer From Reserves	-498,242	-403,349	-19.05%	94,893
⊕ School board Liability	0	0	#DIV/0!	0
3 Revenue Total	-17,107,618	-17,262,127	0.90%	-154,509
4 Expense				
⊕ Sch10 - Gain Loss on sale of land and TCA	0	2,550	#DIV/0!	2,550
⊕ Sch40 - Contracted Services	5,220,852	4,830,235	-7.48%	-390,617
⊕ Sch40 - External Transfers	1,707,119	1,755,344	2.82%	48,225
⊕ Sch40 - Materials	2,132,395	2,052,748	-3.74%	-79,647
⊕ Sch40 - Rents and Financial Expenses	211,316	468,822	121.86%	257,506
⊕ Sch40 - Salaries, Wages and Employee Benefits	5,662,921	5,867,964	3.62%	205,043
⊕ Transfer to Reserve	22,750	148,997	554.93%	126,247
⊕ T - Long term dept repayment	250,663	250,663	0.00%	0
4 Expense Total	15,208,016	15,377,323	1.11%	169,307
Grand Total	-1,899,602	-1,884,804	-0.78%	14,798
Amortization	1,024,348	2,169,838	0.15%	1,145,490
Taxes Levied to invest in Capital	875,254	0		-875,254
Net shortage (overage)	0	285,034		285,034



The Town currently uses a hybrid approach when preparing its capital budget. Capital purchases and construction projects are presented to the Council along with recommendations on funding sources. In addition, the Council also budgets for some amortization expenses.

To date, we have not budgeted for full amortization. Instead, we have chosen to incorporate partial amortization as a gradual introduction of this concept. This approach allows us to build reserves and plan for asset replacement without imposing a significant tax burden on our residents. By implementing partial amortization, we can balance our long-term financial planning with the immediate need to keep taxes at a reasonable level, ensuring fiscal responsibility while managing the impact on the community.

2024 Capital Investment:

Amortization	\$1,024,348
Direct Capital Funding	875,254
Total	\$1,899,602

The total capital investment budgeted for 2024 is \$1,899,602. In contrast, the forecasted amortization expense, or the amount that should be transferred to reserves, is projected to be at least \$2,169,838. This results in an annual capital shortfall of approximately \$285,000.

It is important to note that this shortfall does not have an immediate impact on the current levels of service provided. However, if the shortfall persists over time, it could lead to future challenges. Specifically, unmet capital needs may accumulate, potentially necessitating a significant increase in the levy in a future year to address these deferred investments. The Asset Management Plan will be an essential tool for future capital planning.

The capital projects budgeted were:

Project	Expenditure
Fire Dept. Capital Reserve Transfer	140,000
Transportation Equipment	312,000
AODA Building Project	1,173,250
Connecting Link (McDonalds to Second)	22,000
Connecting Link (Station to Tudhope)	4,381,644
Hwy. 6 (Foucault/Kei Will Drive Design)	42,000
Regional Senior Transportation	146,220
Complex MUA Unit	58,100
Complex Pool Retrofit	100,000
Library Building	15,421
GIS System	45,000
Water Meters	62,000
Trunk Main Part 2	4,906,990
	11,404,625



Out of the original \$11.4 million budget, the Connecting Link (Station to Tudhope) project has been deferred to 2025, resulting in an adjusted in-year budget of \$7,022,981. As of June 30th, 2024, capital expenditures total \$1,664,794 representing 24% of the revised budget. It is common for capital projects to have lower expenditures in the first two quarters. A comprehensive capital project analysis will be conducted at the end of Quarter 3.

Existing Policy: N/A

Strategic Goal: Goal 6: Effective Municipal Governance and Operations

Financial Commitment: No financial commitment – report for information

Budgeted: **Yes** ☐ **No** ☐

Implementation: N/A

Prepared By: Julie Bouthillette, CPA - Treasurer

Department Manager: N/A

CAO/Clerk: Joseph Burke

Approval of Recommendation: **Yes** ☐ **No** ☐

Comments: