



REPORT ADMINISTRATION/FINANCE/FIRE COMMITTEE

DATE: September 19, 2022
REPORT NO: T-24-2022
SUBJECT: Financial Update as of August 31, 2022
CONTACT: Donna DeFilippis, Director of Finance/Treasurer

OVERVIEW:

- Presentation and analysis of operating and capital expenditures as of August 31, 2022
- The report discusses the current inflationary pressures impacting the Township budget, in particular Natural Gas, Vehicle Fuel and Corporate Insurance.

RECOMMENDATION:

That, Information Report T-24-2022, regarding the “Financial Update as of August 31, 2022”, be received for information.

ALIGNMENT TO STRATEGIC PLAN:

Theme #6

- Efficient, Fiscally Responsible Operations- the Township of West Lincoln is a lean organization that uses sustainable, innovative approaches and partnerships to streamline processes, deliver services and manage infrastructure assets.

BACKGROUND:

The Finance Department has completed a review of operating results up to the end of August 31, 2022. **Appendix A** is a summary of the Operating Revenues and Expenditures up to August 31, 2022. The analysis has taken into account the timing and seasonality of certain budget lines. The column titled “Budget” under the “Operating YTD” heading on the attached analysis, indicates the portion of the budget that would be expected to be expended as of August 31, 2022. This report summarizes the actual operating expenditures up to August, 31, 2022 by service area. **Appendix B** to this report is a presentation of August 31, 2022 results by “object” code and includes Capital expenditures. **Appendix C** to this report is a listing of the Township Reserve Balances projected to December 31, 2022. **Appendix D** to this report provides a summary of costs incurred as a result of the Covid-19 pandemic as of August 31, 2022.

CURRENT SITUATION:

Revenue Analysis:

All revenue items are currently on track, with the exception of Facility Rentals, which have been impacted by COVID-19 related closures. Details regarding COVID-19 are provided further in the report. Planning Fee Revenues and Building Department Fee Revenues are currently trending below budget. Future financial updates will inform Council if the trend in Planning Fees continues throughout the balance of the year and any impact it may have on the Township's Financial Position. Council is reminded that Building Department shortfalls would be funded through the Building Department Reserve. Council has approved the final 2022 tax rates and final property tax bills were issued in late June, with two instalment dates proposed for the end of July and the end of September.

The 2022 budget includes an amount of \$180,000 for revenue earned on cash and investments. Staff is confident that the actual revenue earned will exceed this amount given the current interest rate trend. This will be a very important mitigating factor to assist in addressing the expenditure concerns discussed below. At this point, any year end surplus is projected to be small and under \$50,000.

Expenditure Analysis:

Overall Township operating expenditures are currently within the approved budget. Staff are currently monitoring the impact that the current rate of inflation (7.6% year over year as of July 2022) is having on Township operating costs. In particular, there is strong indication that natural gas and vehicle fuel costs will be exceeding 2022 approved budgets. In addition, the Township received their corporate insurance premium renewal, which has exceeded the 2022 budget. Further details are provided below. Staff will continue to monitor expenditures and will advise Council if a budget amendment is required to address the rising costs. Staff is hopeful that interest/investment revenue will help to offset these inflationary expenses.

Natural Gas: The Township paid a total of \$57,715 in 2021 for Natural Gas. In 2022, to date, the Township has paid \$57,663 in Natural Gas. Rates increased by 22% in March/April of 2022 and have increased 71% since the beginning of 2021. Staff budgeted \$70,600 in 2022, which represents a 22% increase over 2021 actual costs, however, it is evident that given the recent increases to rates the 2022 budget allocation will not be enough. Staff is projecting that Natural Gas will exceed budget by \$16,000.

Fuel: The Township paid a total of \$129,338 in 2021 for vehicle fuel. The 2022 budget has been set at \$158,700. As of the end of July, 2022, vehicle fuel costs total \$137,804. If this trend continues, staff is projecting that vehicle fuel could exceed the 2022 budget by \$40,000, or 25 percent.

Corporate Insurance: The Township's Corporate Insurance premiums will exceed the 2022 budget of \$301,900 by approximately \$13,000. The 2022 budget did include an 18% increase to this budget line, however, actual premium costs have increased 23% over 2021 budget. The Cyber premium, which is included in the above figure increased by 31%.

The Township is actually quite fortunate that we were able to retain Cyber insurance as many municipalities have not been able to purchase a Cyber premium this year as this area has become uninsurable for some municipalities.

As part of premium negotiations, staff requested the submission of various premium scenarios that included larger deductibles. The proposed reduction in the premium was not worth the financial risk of increasing the current \$10,000 deductible. This area will continue to be monitored by staff in future premium renewals. The municipal insurance market is faced with higher premiums for several reasons, as outlined below:

- Change in weather patterns that have produced catastrophic storms at a higher rate than in the past
- A rise in the frequency and value of Cyber attacks
- Joint and Several Liability- this is an item that the Township will be highlighting at one of the AMO delegation sessions in August 2022. Current legislation directs that a person injured by two or more wrongdoers may collect full damages from one of the wrongdoers regardless of the proportion of liability. For example, a municipality may be 5% at fault in a motor vehicle accident, but may be liable to pay out 100% of the claim.
- Damage awards are increasing in value
- Inflation- the cost of replacement values is rising

The above three items result in an over-budget projection of \$69,000 based on the current information available. Staff will continue to monitor expenditures and revenues and will keep Council regularly updated. At the present time, there is no requirement for a budget amendment.

Financial Impact of COVID-19:

The COVID-19 pandemic continues to impact the finances of the Township in 2022.

Appendix D outlines the costs and lost revenue as a result of COVID-19 up to August 31, 2022. On January 3, 2022, the Provincial government announced that Ontario would move to a modified Step 2 of its Roadmap to Reopen, effective January 5, 2022 at 12:01a.m. This meant the closure of the Community Centre until January 30th, 2022, with a re-opening date of January 31, 2022. This closure impacted the Facility Rental Income that the Township collects. In addition, the Township was required to screen visitors to our facilities for proof of vaccination by QR (Quick Response) code and ID for all patrons 12 and over up to March 1, 2022.

We are fortunate that we have been in receipt of Provincial Funding to assist with the financial burden that the COVID-19 pandemic and response plan has had on the Township. In 2020, the Township received \$329,800 from the Province of Ontario through the Safe Restart Agreement, of which \$48,087 has been transferred into the Contingency Reserve to be used to fund 2021 COVID-19 costs. In December 2020, the Province announced that it would transfer an additional \$66,000 to the Township to assist with the COVID 19 impacts. Finally, on March 4th, 2021 funding of \$267,744 was announced from the Province through the 2021 COVID-19 Recovery Funding for Municipalities program.

This last allocation was based on a formula that takes into account the proportion of COVID-19 cases in the local health unit between January 1 and February 18, 2021. In total, \$381,831 in funds were available in 2021 to assist with COVID-19 impacts to the Township Operating fund. At the end of 2021, staff were able to retain \$96,802.28 of this funding to use for 2022 COVID 19 costs.

In addition, Township staff made application through the Niagara Region for consideration for funding to assist with costs incurred and revenue lost in relation to the Township's role in hosting COVID-19 vaccination clinics. Staff were informed by Niagara Region staff on March 31st, 2022 that the full amount applied for: \$50,063.99 was approved by the Province and would be forwarded to the Township. This funding, along with previous unallocated provincial grants provides the Township **\$146,866.27** to fund COVID-19 related costs and to off-set lost revenues. **Appendix D** indicates that as of August 31, 2022, the Township has incurred a total of \$101,960 in lost revenues and additional costs related to COVID-19.

Purchasing Activity:

The Township's purchasing policy grants the CAO purchasing authority up to \$100,000. The chart below summarizes the approvals from the CAO since June 2022.

Vendor	Amount	Project
Ben Berg	\$ 26,000.00	Pull Behind Mower
Shadeview Structures	\$ 27,870.00	Smithville Parkette
Park Street Solutions	\$ 9,740.00	Smithville Parkette
OpenSpace Solutions	\$ 199,693.00	Leisureplex Pavilion
Wood Environmental	\$ 23,530.00	Phase I & II Environmental Assessment 5490 Vaughan Rd.
Barco Products	\$ 9,993.99	Cemetery Benches and Trash Cans

The purchase of the Pull Behind Mower from Ben Berg required the CAO to approve Budget Amendment BA2022-08 for \$2,000, with funding coming from the Equipment Reserve.

FINANCIAL IMPLICATIONS:

Amendments to the approved budget are requested by staff when they become aware of changes to the original Council approved budget. As part of the 2022 budget approval, Council approved the following recommendation:

- "7. *That, Council delegate authority to the CAO to approve in year 2022 budget amendments up to \$20,000 per item and to report to Council on a monthly basis regarding such amendments; and, "*

Any amounts over \$20,000 would go directly to Council for approval

To date, the following budget amendments have been approved:

Number	Description	Amount	Funding Source
BA2022-01	Finance Department Digitalization	\$ 143,000.00	Provincial Grant
		\$ 17,676.00	Contingency- Modernization Grant - leftover budget project
		\$ 10,000.00	Technology - leftover Financial software project
		\$ 7,324.00	Operating Budget- Consulting
		\$ 178,000.00	Total
BA2022-02	Grader Purchase	\$ 63,000.00	Equipment Reserve
BA2022-03	Road Rehabilitation Project	reallocation	
BA2022-04	Replacement of Fire Station 2	\$ 200,000.00	Canada Community-Building Fund
		\$ 650,000.00	Debenture Issue
		\$ 400,000.00	Contingency Reserve
		\$ 1,250,000.00	Total
BA2022-05	Campbell Bridge Deck Condition Survey	\$ 1,050.00	Development Charges
		\$ 9,450.00	Bridge Reserve
		\$ 10,500.00	Total
BA2022-06	Transfer of Accumulated Surplus to Contingency Reserve	\$ 586,979.00	
BA2022-07	Leisureplex Pavilion	\$ 100,000.00	Federal Economic Development Agency
BA2022-08	Park Mower	\$ 2,000.00	Equipment Reserve

INTER-DEPARTMENTAL COMMENTS:

This report was reviewed by the CAO.

CONCLUSION:


Staff is recommending that Council receive this report as an item of information.

Prepared & Submitted by:



Donna DeFilippis,
Director of Finance/Treasurer

Approved by:



Bev Hendry
CAO