

**MEETING DATE:** August 20, 2018

**SUBMITTED BY:** Jennifer Cannon, Director, Finance

**PREPARED BY:** Carol Hounsell, Manager, Accounting Services

**REPORT TITLE:** Second Quarter Financial Variance Report

## SECOND QUARTER FINANCIAL VARIANCE REPORT

To provide Council with a second quarter operational variance report for the City of Leduc for the period January 1, 2018 to June, 2018.

### BACKGROUND

#### KEY ISSUE(S) / CONTEXT:

It is vital that Administration keeps Council informed throughout the year of the financial health of the City.

#### OPERATIONAL REPORTING

The attached report outlines operational revenues collected and operational expenses incurred up to the end of June 2018 in contrast to the 2018 operational budget allocations and the previous year's actual operational revenues and expenses for the same time period.

At this time expectations are that revenue and expenses would be at approximately 50% by the end of June, representing ½ of the fiscal year. However, certain factors can affect this such as seasonality or timing and some of the areas that differ materially from budget either by dollar value or percentage will be discussed further below. As of June 30, 2018 the majority of revenue streams are between 49% and 53% of budget and overall revenue is at 48% of budget. The majority of expenditures are between 43% and 50% of budget with overall expenditures at 48% of budget.

As stated above, Administration would like to discuss further some of the areas where the variances differ materially.

#### Revenue

##### **Enforcement Services**

At this time enforcement Services is at 32% of budget. To date the enforcement contributions have been lower than anticipated. Early projections are indicating this will not meet budget at year-end.

##### **Interest & Penalties**

Interest on investments is at 11% to date. Timing is the main contributor for this as the City's investment portfolio is reconciled as part of the year-end process. Administration anticipates this revenue stream will be on budget by year end. In addition, the majority of tax penalties are recorded after June 30<sup>th</sup>. As a result, tax penalties for late tax payments for 2018 are not recorded until July and do not enter this quarterly cut-off.

## **Other Income**

Off-site levy revenue is at 9% of budget. However, it is anticipated that an additional \$3.2 million in off-site levy revenue will be collected by year-end. It is important to recognize that \$2.5 million represents the final 50% of off-site levy fees to be collected on existing subdivisions resulting in guaranteed revenue for 2018. The additional \$750K which represents new growth is not definite revenue until the development agreements are signed. An additional note of consideration is that the revenue projected for 2018 off-site levies are all residential in nature and at this time there is no indication that there will be non-residential offsite activity.

## **Expenses**

### **Bank Charges & Interest**

Bank charges & interest is below budget at 38%. The major contributor for this area being lower than anticipated is the bad debt expense being lower than anticipated. This does have a timing component due to internal processes and Administration feels this will be on budget by year-end.

### **Grants to Organizations**

Grants to organizations is at 67% of budget. This is entirely due to timing as the majority of grants are one time funding and are paid out earlier in the year.

On closing, Administration feels that the overall variance between revenues (48% of budget) and expenses (48% of budget) is favorable and is what would be expected for the second quarter.

## **CAPITAL REPORTING**

At the end of June 30, 2018 capital expenditures vs. 2018 capital budget is 9% for the City's capital program and 27% for the off-site levies capital program. The second quarter capital expenditures are typically low as this is the time when construction usually begins. Most invoices will be received for payment in the 3<sup>rd</sup> and 4<sup>th</sup> quarters.

### **Attachments:**

1. City of Leduc Operating Variance Report from January 1, 2018 to June 30, 2018.
2. City of Leduc Capital Project Report from January 1, 2018 to June 30, 2018.

Others Who Have Reviewed this Report

D. Melvie, A/City Manager / B. Loewen, City Solicitor / I. Sasyniuk, General Manager, Corporate Services / J. Cannon, Director, Finance

# City of Leduc

## Operating Variance Report From January to June 2018

	2017 YTD Actual	2018 YTD Actual	2018 Budget	Budget Variance %	2017 vs 2018 %
<b>Revenue</b>					
Enforcement Services	835,429	379,732	1,170,800	32%	45%
Government Transfers	4,851,661	4,668,144	8,772,736	53%	96%
Interest & Penalties	655,222	411,955	1,672,560	25%	63%
Net Taxes - Revenue	22,315,495	22,814,224	45,808,289	50%	102%
Other Income	2,389,211	496,570	3,849,438	13%	21%
Rent Revenue	1,079,785	1,037,406	2,100,157	49%	96%
Sale of Services	4,550,528	4,506,997	8,781,999	51%	99%
Utility Services Revenue	10,702,979	11,513,771	23,383,849	49%	108%
<b>Total Revenues</b>	<b>47,380,311</b>	<b>45,828,798</b>	<b>95,539,828</b>	<b>48%</b>	<b>97%</b>
<b>Expenditures</b>					
Employee Benefits	3,582,503	3,612,328	7,533,045	48%	101%
Salaries & Wages	15,909,951	16,698,005	34,892,304	48%	105%
<b>Total Staff Costs</b>	<b>19,492,454</b>	<b>20,310,333</b>	<b>42,425,349</b>	<b>48%</b>	<b>104%</b>
Bank Charges & Interest	116,884	93,424	247,512	38%	80%
Contract Services	5,867,915	6,693,791	14,393,953	47%	114%
Cost of Utilities Sold	3,327,202	3,855,790	8,010,000	48%	116%
General Services	347,666	347,239	812,481	43%	100%
Grants to Organizations	1,206,077	1,365,388	2,041,431	67%	113%
Interest on Long Term Debt	1,038,245	1,001,009	2,262,508	44%	96%
Materials & Supplies	1,999,031	2,226,519	4,899,036	45%	111%
Other Expenses	63,004	81,427	133,859	61%	129%
Repairs & Maintenance	542,319	563,024	1,265,506	44%	104%
Telephone & Communications	78,499	79,411	164,883	48%	101%
Training & Development	632,162	557,176	1,110,686	50%	88%
Utilities - expense	1,506,201	1,542,968	3,411,489	45%	102%
<b>Total Operational Costs</b>	<b>16,725,205</b>	<b>18,407,164</b>	<b>38,753,344</b>	<b>47%</b>	<b>110%</b>
<b>Total Expenditures</b>	<b>36,217,659</b>	<b>38,717,497</b>	<b>81,178,693</b>	<b>48%</b>	<b>107%</b>
<b>Net of Revenue Over Expenditures</b>	<b>11,162,652</b>	<b>7,111,301</b>	<b>14,361,135</b>		
<b>Net Interfund Transfers</b>					
Debt Repayment	(1,884,878)	(1,764,775)	(3,863,571)		
Transfers to Reserves	(2,389,211)	(496,570)	(14,831,247)		
Transfers from Reserves	-	-	4,333,682		
<b>Total Interfund Transfers</b>	<b>(4,274,088)</b>	<b>(2,261,345)</b>	<b>(14,361,135)</b>		
<b>"Net Surplus (Deficit)"</b>	<b>6,888,563</b>	<b>4,849,956</b>	<b>(0)</b>		

## Capital Projects to June 30th, 2018

City of Leduc Capital Program	2018 Budget	2018 YTD Actuals June	% Complete
65th Ave Capital Program	6,174,069	258,702	4%
Bylaw Enforcement Capital Program	1,697	0	0%
Capital Engineering Program	22,221,747	1,774,284	8%
Computer Services Capital Program	445,250	318,190	71%
eGovernment Strategies	2,005,602	165,967	8%
Environmental Services Capital Program	294,879	83,232	28%
Equipment Services Capital Program	2,547,760	1,255,556	49%
Facilities - Major Facilities	13,317,218	79,518	1%
Facilities - Restorations and Improvements	1,878,504	347,011	18%
FCSS Capital Program	2,000	0	0%
Fire Services Capital Program	223,372	81,104	36%
GIS	82,000	16,153	20%
Human Resources Capital Program	157,850	0	0%
Intergovernmental Affairs	408,357	0	0%
MacLab Centre	64,000	0	0%
Office Equipment Replacement Program	283,738	18,519	7%
Parks Development Capital - Growth Related Projects	1,374,619	46,831	3%
Parks Development Capital - Sustainability Projects	541,373	199,334	37%
Planning Department Capital Program	3,241,886	156,044	5%
Public Services Capital Program	3,304,539	242,058	7%
Recreation Capital Program	596,562	105,986	18%
Telephone Upgrade	6,500	5,269	81%
Transit	81,689	29,666	36%
Wastewater Capital Program	580,281	0	0%
Water Department Capital Program	2,660,885	372,443	14%
<b>2018 City of Leduc Capital Program</b>	<b>62,496,377</b>	<b>5,555,866</b>	<b>9%</b>
<b>2018 Offsite Levies Capital Program</b>	<b>12,258,713</b>	<b>3,281,025</b>	<b>27%</b>