

THE MUNICIPALITY OF LAMBTON SHORES

Report TR 04-2022

Council Meeting Date: February 22, 2022

TO: Mayor Weber and Members of Council
FROM: Janet Ferguson, Treasurer
RE: 2021 Draft Operating and Capital Statements
RECOMMENDATION:

THAT Report TR 04-2022 regarding the 2021 Draft Year to Date Financial Statements be received; and

THAT the following allocations of the 2021 surplus to the identified Reserve Funds be approved:

\$650,000.00 – Transportation
\$ 39,000.00 – Rolling Stock
\$441,000.00 – Parking
\$177,000.00 – Equipment
\$100,000.00 – Facilities
\$114,000.00 – Harbour
\$ 90,000.00 – Economic Development; and
the Balance – to Working Funds.

SUMMARY

This report presents the year-end 2021 Draft Operating and Capital Financial Statements for Council's approval.

BACKGROUND

Operating and Capital Financial statements are presented throughout the year to advise Council on the status of various projects and provide budget comparisons. Additional staff reports are provided on various tenders and project updates as necessary. This report provides Council with a pre-audit review of the 2021 financial transactions. There may be additional transactions take place that will impact the final financial position for 2021 as a result of the annual audit.

The 2021 internal year end functions are nearing completion. The interim audit process has already taken place and the final audit field work is scheduled for February 28 to March 4, 2022.

As noted during the 2022 Budget process, the draft unaudited December 31, 2021 financial statements reflect a favorable financial position for Lambton Shores. The surplus was generated from various program savings, increased revenues and reduced expenses.

Notwithstanding further adjustments, the overall operating expenditures are under budget by approximately 5.0% which is a savings of \$1,100,890.00. Overall revenues were over budget by 5.7% or \$513,265.00. These budget variances are discussed in the following section of this report. The combined impact results in a 2021 year-end surplus estimated to be approximately \$1,611,000.00.

Staff is bringing the estimated year end position forward prior to the audit being completed to allow Council an opportunity to provide direction if required and so that the pertinent accounting can be done prior to the audited Financial Statements being presented to Council.

Tax Supported

General Government

In general the administration operations ended in a surplus position which was created through additional revenue and expense savings. Additional taxation revenue of \$165,000, and legal fee recovery of \$46,000 in addition to savings resulted in a net surplus position.

Staff are recommending that the surplus funds be placed in the Transportation Reserve Fund.

Protection Services

Fire Services

The Fire operations were under budget due to a lower than usual revenue from inspections and sale of equipment in conjunction with lower expenses for inspection services and utility costs.

Staff are recommending that the surplus of \$39,000.00 be allocated to the Rolling Stock Reserve fund.

Policing

The Police expenses were on target with the budgeted amount.

By-law Enforcement

The fine revenue far exceeded the approved budget. Staff are recommending that the additional revenue of \$121,000.00 be allocated to the Parking Reserve Fund. The 2022 budget was adjusted to accommodate this increase in revenue.

Building Services

Building permit revenue exceeded the 2021 budget due to the high volume of permits issued. Building Department revenue net of expenses is required to be placed in a reserve fund and therefore in 2021 the allocation to the reserve fund is higher than budgeted.

Emergency Management

As a result of the COVID-19 pandemic and the declaration of an emergency, separate accounts were used to track any direct expenses for the response. The Province provided municipalities with a grant to offset expenses; and as a condition of the funding, any unused funds are to be carried forward to 2022 for ongoing costs. The funds have been placed in a reserve fund and will be allocated to future costs.

Transportation Services

The 2021 aggregate grant was higher than budgeted resulting in additional revenue.

The Transportation Manager position was vacant for the early portion of the year and the Drainage Superintendent position was filled late in the year resulting in some savings on wages in administration. Less quantity of gravel was placed than budgeted. The tender quantity for 2022 has been increased to address this. There were some underages within storm sewers, catch basins and hard top maintenance that will be addressed through work planning in 2022. Winter maintenance budgets were slightly over budgeted amounts. All other budget lines within Transportation are generally within expected budget ranges.

Staff are recommending the resulting net surplus be put in the Transportation Reserve Fund.

Transit

In 2020 the Provincially funded transit pilot program got underway. This program does not have any financial impact to the Lambton Shores Operating or Capital budgets. In 2021 the revenues from ridership were \$11,464.25 with the balance of the expenditures funded from the Provincial grant.

Environmental Services

Revenue from waste bins exceeded the budgeted amount due to the growth of new homes. Expenses at the compost site were under budget due to some unspent contracted services funds. Other expenses in this unit were close to budget.

Staff are recommending that the surplus funds be placed in the Equipment Reserve Fund.

Cemeteries

Cemetery revenue was lower than expected by \$11,000. Expenses were also lower than budgeted; landscaping clean up in Beechwood was not completed and the stone maintenance project did not get completed by the contractor. Uncertainty in cemetery activity and revenues is to be expected.

Recreational and Cultural Services

The COVID-19 pandemic significantly impacted facility rental revenues due to ongoing closures. Both the Shores Recreation Centre and the Legacy Recreation Centre realized just over 55% of the budgeted revenue for 2021. The facility closures were also reflected through lower than budgeted expenses.

Park revenues and expenses were not impacted as significantly by COVID-19, with both expenses and revenues nearly on target.

The harbour and beach revenues saw a significant increase in revenue due to increased use of transient slips, boat launch, increased fuel sales and parking revenues. The harbour revenues exceeded the budgeted amount by \$233,000.00 whereas the parking revenues exceeded the budgeted amount by \$318,000.00.

Beach expenses were on target for the budgeted amount in 2021. Harbour expenses exceeded the budgeted amount by \$120,000.00 due to increased dredging, staffing expenses and emergency repairs as a result of a busier than normal season.

Staff are recommending that the additional parking revenue be put in the Parking Reserve Fund, the cost savings at facilities be put in the Facility Reserve Fund and that the net surplus harbour operations be put in the Harbour Reserve Fund

Planning and Development

Planning revenues were higher than budgeted due to an increased number of applications.

Economic Development

There were savings in the branding and promotion expense areas as well as savings from deferring the completion of the Community Improvement Plan until 2022.

Staff are recommending that the net surplus funds be placed in a new Economic Development Reserve Fund.

Drainage

This business unit reflects the costs associated with the construction and maintenance of the municipal drains, and tile drainage. Costs and revenue vary depending on the status of drains, grants and work requested. Both the revenue and expenses were lower than budgeted; however, the net result was inline with the overall budget.

User Rate Supported

Water and Wastewater

Both departments recognized revenues in excess of the budget. The additional water consumption also has a corresponding increase to the cost of the water purchased. Other line items are generally within budgeted values.

Summary

Lambton Shores had a very busy year, despite projects or programs not able to be complete due to COVID-19 impacts.

Capital

The capital project listing includes project comments.

ALTERNATIVES TO CONSIDER

Staff reviewed the financial transactions for the various departments and identified where there were savings or additional revenue recognized. Recommendations have been provided to allocate the surplus based on the review.

Council could choose to utilize the surplus funds in another manner than recommended such as an allocation to another reserve fund or a specific project.

RECOMMENDED ACTIONS

That Report TR 0-4-2022 regarding the Draft 2021 Operating and Capital Financial Statements be received and that the following Reserve Fund allocations be approved:

\$650,000.00 – Transportation
\$ 39,000.00 – Rolling Stock
\$441,000.00 – Parking
\$177,000.00 – Equipment
\$100,000.00 – Facilities
\$114,000.00 – Harbour
\$ 90,000.00 – Economic Development; and
the Balance – to Working Funds.

FINANCIAL IMPACT

The recommendations in this report will result in an increase to the asset replacement reserve funds for future required replacements as well as create a new Reserve Fund for Economic Development.

CONSULTATION

Steve McAuley, CAO
Stephanie Troyer-Boyd, Director of Corporate Services
Lawrence Swift, Fire and Emergency Services
Ashley Farr, Director of Community Services
Nick Verhoeven, Director of Public Works
Attachment 1 – Draft 2021 Operating Financial Statement
Attachment 2 – Draft 2022 Capital Financial Statement