

THE MUNICIPALITY OF LAMBTON SHORES

Report TR 03-2024

Council Meeting Date: February 27, 2024

TO: Mayor Cook and Members of Council
FROM: Janet Ferguson, Treasurer
RE: 2023 Draft Operating and Capital Statements

RECOMMENDATION:

THAT Report TR 03-2024 regarding the 2023 Draft Year to Date Financial Statements be received; and

THAT the following allocations of the 2023 surplus to the identified Reserve Funds be approved:
\$360,000.00 to the Tax Rate Stabilization
\$225,000.00 to Parking; and
The Balance – to Working Funds.

SUMMARY

This report presents the year-end 2023 Draft Operating and Capital Financial Statements for Council's approval. This report builds on the previous operational reports provided by staff.

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 2023 financial transactions. There may be additional transactions take place that will impact the final financial position for 2023 as a result of the annual audit.

The interim audit process has already been complete and the final audit review will be taking place during the week of February 26th.

The draft unaudited December 31, 2023 financial statements reflect a favorable financial position for Lambton Shores. The surplus was primarily generated from increased revenues.

Notwithstanding further adjustments, the estimated 2023 year-end surplus will be approximately \$585,000.00.

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

The general Administration operations were under budget and additional revenues were recognized. The revenue and expenses appear to be drastically over budget; however, this is due to some unforeseen transactions like land sales and the doctor recruitment project which create a revenue to or from Reserve Funds and the expense line as well that were not budgeted.

Additional taxation revenue was received as a result of growth and changes to property assessments. The writeoffs were also over budget; however, the net tax gain was \$245,000.

During 2023 interest rates were higher than the past several years which resulted in additional general revenue as well as for the Reserve Funds. The operating revenue surplus exceeds \$100,000.

Fire Services

The Fire operations were within 99% of the budgeted costs. The Fire Service Contracts were not finalized in 2023 and thus resulted in lower than budgeted revenues.

By-law Enforcement

By-law enforcement had an extremely busy year which resulted in additional infraction revenue for both parking and miscellaneous by-law fines such as tidy yards. With the new parking enforcement program we are able to accrue the fine revenue which is different from the past.

Short Term Rentals

2023 was the first year for licensing short term rentals in Lambton Shores. The revenues have exceeded the budget and actual expenses. The net amount of \$148,000.00 has been allocated to a designated Reserve Fund for future operations.

Building Services

The Building Services department experienced significant financial setbacks due to the downturn in the construction industry. Although revenue was expected to reach \$346,000, it only amounted to \$217,000. Similarly, expenses were projected to be \$323,000 but were slightly higher at \$364,000. Consequently, rather than the anticipated \$22,000 surplus, there was an unexpected deficit of \$146,000. It's important to note that Building Services operates on a self-funded basis, meaning any surplus or deficit affects the Building Fund Reserve rather than the general tax levy.

Transportation Services

Transportation Services saw facility/ground maintenance, hard top maintenance, and winter control under budget while loose top maintenance, signage, and tree maintenance were areas over budget. The overall budget variance in Transportation is closely related to weather impacts so while the Transportation Services budget is slightly under budget for 2023 it is a reflection of a generally less eventful winter season than anticipated. For this reason no significant operational changes are foreseen for 2024 as a busier winter season will cause budget overages with the same level of spending in all other areas.

Transit

The Huron Shores Area Transit continues to have Provincially funds to offset operational short falls. That said, fare revenue has tripled and exceeded the 2023 budget as a result of increased ridership. Expenses have also increased due to the price of fuel and a change to the Voyago contract while being extended. The Transit Coordinator will be presenting further details at a future Council meeting.

Environmental Services

Environmental Services had a small surplus for 2023 primarily due to revenue from additional locations being added.

Cemeteries

Revenue from plot sales at Beechwood Cemetery exceeded budgeted amounts in 2023. Operational expenses were less than the budgeted amount due to the tendered contract for grass maintenance operations.

Recreational and Cultural Services

Ice revenues at both arenas is higher than budgeted. Unplanned repairs occurred at both arena facilities, putting expenses over budget. Staff are working towards a new preventative maintenance schedule that will reduce the amount of emergency repairs on equipment.

Expenses at the harbours were overbudget due to the spot dredging requirements. Grand Bend Marina required an emergency spot dredge over the summer due to the equipment failure of the prop wash boat. A new prop wash boat has been purchased to eliminate any down time due to equipment failure in 2024.

Parks expenses were overbudget, but offset by revenue through donations and grant due to the Grand Bend Fireworks flow through.

Parking revenue in Grand Bend was over the budgeted amount by \$150,000.

Planning and Development

Overall Planning and Development ended the year with a net surplus, as budgeted, albeit slightly less than projected due to a reduced number of planning applications. Expenses were within budget and as expected. The net surplus was \$69,000 against a budgeted surplus of \$79,000.

Economic Development

The Economic Development (ED) portfolio was slightly overbudget based on expenses that were incurred to complete the CIP program. Monies originally budgeted to be supplied by RED funding were not available based on the use of consultants through the County instead of hiring additional staff. The ED budget continued to support the Grand Bend Chamber of Commerce, the Forest Museum and a one-time donation to Warwick to support the expansion of their community centre.

User Rate Supported

Water and Wastewater

The water system saw overages in materials and supplies and contracted services as general construction costs continue to inflate year over year. Slightly more revenue was received than budgeted reflecting growth in the Municipality. The wastewater system had no significant variances.

Summary

The 2023 draft operating statements reflect a favorable position of \$585,000.00. While there were many fluctuations in the operating transactions, the primary source of the surplus is additional revenue. Additional revenues were mainly from taxation and parking.

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-3-2024 presenting the 2023 Draft Operating and Capital Financial Statements be received and that \$360,000.00 be allocated to the Tax Rate Stabilization Reserve Fund and \$225,000.00 be allocated to the Parking Reserve Fund.

FINANCIAL IMPACT

There is no additional financial impact by receiving this report. If Council approves the recommendations, the pertinent Reserve Funds will be replenished.

CONSULTATION

Steve McAuley, CAO
Stephanie Troyer-Boyd, Director of Corporate Services
James Marshal, Fire Chief
Ashley Farr, Director of Community Services
Nick Verhoeven, Director of Public Works

Attachment 1 – Draft 2023 Operating Financial Statement
Attachment 2 – Draft 2023 Capital Financial Statement