

**MEETING DATE:** August 22, 2022

**SUBMITTED BY:** C. Hounsell, Director, Finance

**PREPARED BY:** P. Manesh, Manager, Accounting Services

**REPORT TITLE:** Second Quarter Financial Variance Report 2022

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## EXECUTIVE SUMMARY

It is imperative that Administration keeps Council informed of the financial health of the City throughout the year. This report outlines the second quarter operational variance report for the City of Leduc for the period January 1, 2022 to June 30, 2022. As of June 30, 2022, revenue streams are between 37% and 93% of budget and overall revenue is at 51% of budget. Expenditures are between 41% and 95% of budget with overall expenditures at 50% of budget. As a result, it is anticipated that both revenues and expenditures will be in line with budget at year-end.

## BACKGROUND

### OPERATIONAL REPORTING

The attached report outlines operational revenues collected and operational expenses incurred up to the end of June 2022 in contrast to the 2022 operational budget allocations and the previous year's actual operational revenues and expenses for the same time period. Reports for individual councilors expenditures are also attached.

At this time, expectations are that revenue and expenses would be at approximately 50% by the end of June, representing two quarters of the fiscal year. However, certain factors can affect this such as seasonality or timing. Some of the areas that differ materially from budget either by dollar value or percentage will be discussed further below.

### Revenue

#### Enforcement Services

At this time, enforcement services revenue is at 37% of budget. To date the enforcement contributions have been lower than anticipated due to CPO being reassigned from traffic to cover for vacancies. Fine share for QEII with RCMP is also reflecting fewer shifts than anticipated. Early projections are indicating this will be at approximately 73% of budget at year-end.

#### Interest & Penalties

Interest and penalties are at 73% of budget to date. This is mainly attributable to interest on investments being at 87% of budget. Penalties on late payment of property taxes and utilities are trending higher than prior years. In late March, bonds were redeemed which resulted in a slight gain and timing of bond interest payments are a contributor as the City's investment portfolio is reconciled as part of the year-end process.

#### Other Income

Overall other income is at 93% of budget. Off-site levy revenue is the largest component which is at 96% of budget. It is anticipated that \$2.38M in off-site levy revenue will be collected by year-end compared to a budget of \$1.66M. Of this projected amount, \$292K is associated with levies collected on existing subdivisions meaning the growth has already been

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captured. An additional note of consideration is that the revenue collected and projected for 2022 is all residential in nature and at this time there is no indication that there will be non-residential offsite activity.

### **Rent Revenue**

Overall rent revenue is at 35% of budget. This is largely due to timing of the capital cost recovery agreement with the RCMP. There were impacts from COVID-19 on events, bookings and shows which resulted in cancellations for LRC and Alexandra Arena. Other variances are a result of timing of invoices due to lease agreements and will be captured in later quarters. Administration is expecting this revenue stream to be approximately 87% of budget at year-end.

### **Expenses**

#### **Salaries, Wages and Benefits**

Overall, salaries, wages and benefits are at 48% of budget. It is lower than budget as there were a few more vacancies than budgeted.

#### **Bank Charges and Interest**

Bank charges and interest is at 95% of budget. This is due to tax adjustments that were recorded at the beginning of the year. Also bank service charges are higher as a result of utilizing line of credit in the second quarter. Administration is expecting to be \$139k over budget at year-end.

#### **Contract Services**

Contract services is at 58% of budget. This is due to timing, seasonality, and economic conditions in 2022. Strategic services is at 94% because of timing of costs for EMRB membership. Enterprise technology services is at 72% of budget due to timing of maintenance contract costs. Human resources is at 60% of budget due to timing for professional fees. Snow and ice control is 279% of budget due to amount of snow clearing required in Q1. Fire fighting is at 91% of budget due to fire dispatch fees. These overages are offset by the following areas. City manager is at 0% of budget due to timing for EDI strategy and anticipates using all of budget. Legal services is at 12% of budget and anticipates using all of budget. Corporate information and technology admin is at 23% of budget due to timing of projects. Engineering and environment is at 1% due to timing and lowering projected amount at year-end. Road maintenance is at 14% due to timing of work.

#### **Training and Development**

Training and development is at 41% of budget due to timing of training opportunities. Overall expecting to come in slightly under budget at year-end.

#### **Operational Closing Remarks**

On closing, Administration feels that the overall variance between revenues (51% of budget) and expenses (50% of budget) is favorable and is what would be expected for the second quarter.

### **CAPITAL REPORTING**

At the end of June 2022 capital expenditures compared to the capital budget is at 11% for the City's capital program and - 0% for the offsite levy 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 3rd and 4th quarters. A more detailed capital report will come forward in the Q3 financial reporting.

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### COUNCIL EXPENSES BY COUNCILLOR

At Council's direction, council expense reports for the mayor and each council member have been attached to this report. This is intended to create enhanced transparency for council expenditures.

### ATTACHMENTS

1. City of Leduc Operating Variance Report from January 1, 2022 to June 30, 2022
2. City of Leduc Capital Project Report from January 1, 2022 to June 30, 2022
3. City of Leduc Council Expenses by Council Member from January 1, 2022