

# Financial Summary

December 31, 2022







## Financial Summary

*Year Ended December 31, 2022*

*This document is meant to be read in conjunction with the December 31, 2022 Financial Statements*

### GENERAL OPERATING FUND

The Town has an annual **SURPLUS of \$205,598.**

#### **Capital From Operating & Reserves**

Council will recall that early on in 2022 there was expressed concern around 2022 Capital projects coming in well over budget. It became increasingly apparent that the combined impact of uncontrollable events including Covid, geopolitical unrest and significant inflation pressures contributed to certain tenders received for capital projects/vehicles being significantly over budget (\$1.65M at that time). In addition, it was reported that the combined (General and Utility) Operating Budgets year to date were \$346,000 over budget.

Both the Operating and Capital budgets are closely integrated with one impacting the other as far as sources of financing, therefore both were addressed together. The purpose of the report was to review options for addressing the budgetary issues and to also be aware that projected overage could grow with additional tenders yet to be received.

As a result, council decided to execute the 2022 Capital Budgets as planned with any overages being paid from the reserve accounts, as necessary. Staff remained diligent over the year in cutting costs where necessary and deferring projects as needed, and through it all communicating within departments, as some savings in one areas could be a balancing act in others. Due to the great efforts and communication, we are happy to see a positive result at YE, and limited use of the reserve funds.

In summary, the budget to actuals for Capital from Operating and Reserves are as follows:

- Transfer to Reserves: Budget: \$2,690,000; Actual: \$0.
- Capital from Operating: Budget: \$3,400,000; Actual \$6,192,475.
- Combined total of above: \$6,192,475 vs. \$6,090,000. Therefore, in total, there was a \$100k difference from budget.
- The 2022 plan according to the Town's sources of financing was to use \$6M in reserves. The Town only used \$1M. The primary reason for this was due to the deferral of projects, particularly, the Riverview Recreation Center. The Town also planned to use Canada Community-Building Fund (Formerly Gas Tax Funds) of \$1.7M, however used \$0. Funding will therefore go towards projects, namely the RRC in future years.



To break this down further. The Town planned to use \$6M of reserves in 2022, however only used \$1M. Of this \$6M, the following resulted:

- There was \$3.17M planned for the Riverview Recreation Complex. Actuals were \$432K (project mostly deferred). The Town used \$0 in reserves and absorbed the \$432k in capital from operating.
- The Dobson Arena upgrade budgeted for \$1.8M from reserves. The total costs came in well over budget at \$2.04M. The Town only ended up using \$1M from reserves and the rest from capital from operating.
- The budget had planned to use \$1.03M in reserves for Transportation Services, as follows:
  - Irving Sidewalk Phase 2 of \$260k. Actuals came in at \$282k and \$0 of reserves were used.
  - Pine Glen Roundabout of \$770k. Actuals came in at \$1.284M, and \$0 of reserves were used.
  - Both projects including overages were financed via capital from operating.

Therefore, to be in position we are to have only used \$1M in reserves which went entirely towards the Arena upgrades, and a healthy reserve going forward to be used for projects (namely, the Riverview Recreation Complex), is a great outlook; all the above noted projects were financed via capital from operating (which essentially could occur as we did not transfer money to the reserve, but rather kept it in the operating to be used. For illustration, instead of transferring \$3M into reserves and transferring out \$4M from reserves, we just transferred out \$1M from reserves). Therefore, despite being well above budget for the projects noted above, we were able to absorb those costs in capital from operating, carry forward a very healthy reserve amount to cover deferred projects (namely RRC), and the Town did not need to use CCBF funds either, which is carried forward for 2023 and beyond projects as needed.

We look forward to pending announcements for funding related to the Riverview Recreation Center from senior levels of government to continue working on our long-term finance plan.

#### **Debt Ratio:**

The debt ratio came in strong at 8.50%, which is slightly above budget of 8.05%. Expenses came in very close to budget at \$57k under, therefore the driver of the decrease is with the cost of debt. Council may recall that the previous Director had budgeted based on 15 years for 2022 debt, however, the application submitted was for a 10-year term, therefore increasing annual principal and interest debt obligations from \$2,556,746 to \$2,704,778. If fiscal costs were as budgeted, the debt ratio would have come in at 8.06%, therefore very closely in line with budget.



## **Budget vs Actuals**

Fiscal 2022's big theme throughout the financials was the impact of inflation and the timing of services and goods either influenced by supply chain pressures or strategically deferring projects. The staff also were very cognizant of being diligent in spending and therefore to find savings in the budget where possible due to the large, unexpected increases caused by inflation, which, led to significant increases in planned capital expenditures. Staff monitored the results closely every month to ensure we were on track to achieve close to budgeted results. The results reveal that those efforts were well translated, as the General Fund ended with a surplus of \$205,598 while still delivering excellent service to residents in keeping true to our Strategic Plan.

In my report to you for year-end, I will highlight the key variances where actuals had a notable difference from budget in both value and by percentage. I will review the General Fund first then the Utility Fund will follow.

## **GENERAL FUND**

**There was an overall surplus in the General Fund of \$205,598.**

### **REVENUE**

**Revenues overall were higher than budget by \$148,530.**

*Variances from the revenue budget are noted as follows:*

**Community Funding & Equalization Grant** was higher than budget as the Town received **\$40,185** more than expected due to the LNG terminal in Saint John once again not appealing it's assessed property value, thereby making more revenue available for other New Brunswick municipalities to share. This will be a decision made annually until 2031. Unfortunately, the decision only comes in the spring and because it is uncertain, it is not known or practical to budget for it when the budget is prepared.

**Interest on Cash in the Bank** was **\$51,721** higher than budgeted for which is entirely driven by the interest rates on cash we have in the bank, which are unpredictable being driven by the economy/market, however a positive unanticipated outcome.

**Building Permit and Planning Commission Revenues** are higher than budget by **\$18,515** reflecting more development activity this year than expected.

**Local Improvement Revenue** were **\$41,989** higher than budget, which is actual revenue based on payments received. This account is difficult to predict and budgeted for based on historical data/trends on what improvements were made and what was actually paid in the year.



**Parks and Recreation** revenues were lower than budget by a net amount of **\$66,173**. The Town saw all revenue accounts land above budget apart from Rinks & Arena revenue, which had a shortfall of \$124,699. This shortfall is attributed to the Dobson Arena lower rink not opening as early as planned, which had an impact on planned revenue; the rink resumed operations in November 2022. This shortfall was partially offset by \$58,526 more than budget revenue in other areas, namely, the Coverdale Center (\$22,913), Aquatic Center & Pool (\$22,103) and the Youth Center (\$12,870), which reflected the resumption of activities/programs post Covid.

## **EXPENDITURES**

**Expenditures overall were \$57,069 below budget.**

### **Administration**

**Overall, this section of the budget is under budget by \$182,492** which is the result of a combination of savings offset by additional expenditures as follows:

**Transfer to General Capital Reserves** is under budget by **\$2,690,000**. See discussion above.

**Computer Maintenance** was below budget by **\$17,125**. The primary case is the work with Beanworks. We had budgeted the Accounts Payable automation which could not be completed as GP Dynamics lost their developer. The work was deferred to 2023.

**Program Reviews** had a \$30,000 budget however, only \$8,175 was utilized resulting in a savings of **\$21,825**. Like other accounts, staff sought areas in the budget that could result in savings to help curtail the rising costs in other areas, particularly with capital expenditures, and this was one area where savings could be realized.

**Human Resources** was overall below budget by **\$37,993**. There were smaller savings throughout, with the largest account savings from Casual Salaries, which, was lower than budget by \$17,190. The department had budgeted for a full year of cleaning for this account to clean to the standards necessary during Covid, however, once restrictions were lifted in June, it was not necessary to have a full-time cleaner, which therefore resulted in savings. Corporate development also saw savings of \$9,702. There was limited training done in the year due to Covid restrictions. Overall savings were slightly offset with EAP and Wellness being \$10,906 above budget due to much more demand than anticipated for the programs for much needed employee assistance in the event of unexpected tragedies and hardship support.

**Other Expenses – Civic Relations** was higher than budget by **\$18,279**. This account is used for the riverfront holiday lights and is over due to damages incurred requiring repair.

**Corporate Services** was overall lower than budget by **\$92,500**. The causes are salaries & benefits, facilities management, and communications savings. There were savings of \$36,423 in salaries and \$17,349 in benefits due to the vacancy in the Communications Manager from March to June 2022. Also, facilities management was lower than budget by \$16,104 which was related to deferring projects within that account as a way to save money (due to rising costs across the board), and communications had



savings of \$12,231 due to the website Drupal (our web content management system) upgrade that will occur in 2023 instead of 2022; the amount was moved over to the budget for 2023 to reflect the timing of when the project will be completed.

**Codiac Transpo** was lower than budget by **\$133,607**. This is mostly due to unexpected funding of \$114,224 from the Regional Development Corporation which was meant to compensate municipalities for public transit revenue lost due to Covid.

**Economic Development** was overall lower than budget by **\$54,050**. There were \$24,709 in savings in Incentives for Development, which is an incentive payment based on the municipal portion of property taxes on the post-development assessment of a new project. In year one of the project, the grant is 90%. It is difficult to predict what the post-development assessment is going to be, as it depends on what actual projects come forth. There was also a \$12,961 savings in Strategic Partnerships. The budget for 2022 was increased over 2021 by \$10,000 for initiatives that were anticipated for the Economic Development department that did not happen due to losing both employees in this department.

**Property Taxes** were **\$21,896** lower than budget due to a decrease in the provincial tax rate.

**Fiscal Services** were higher than budget overall by **\$138,032** which is the result of \$120,105 more in long-term debt interest and \$59,000 more in principal payments. This was offset by \$41,073 in bank interest and charges. When the budget was prepared, the former director had budgeted based on debt terms of 15 years for 2022 debt, however, when filling out the application to draw down the debt, he used 10 years. As a result, the interest and principal annual payments came in higher. On the other side, interest earned on cash in the bank was much more favourable in the year than expected, which is market driven, therefore, as noted above, the Town had \$41,073 more in interest earned than anticipated, which helped to slightly offset this larger overage.

**Capital from Operating** was over budget by **\$2,792,475**. See discussion above.

#### **Fire & Rescue**

**Overall department expenditures were over budget by \$99,609.**

**Salaries, Wages, and Overtime** were overall higher than budget by **\$56,851**. Overtime sickness was \$100,171 over budget which was Covid related since firefighters were not coming into work with cold symptoms, and, we had one firefighter out sick for ten months, which had to be covered by full-time firefighters who were paid overtime. This overage was partially offset by a \$37,497 savings in Overtime Fire Call resulting largely from reduced overtime related to *call backs* (number is dependant on the number of fire calls, which is hard to predict). Overtime Administration was \$19,024 above budget due to two committees (Operation Review, Apparatus Review); members paid overtime when attending. And Overtime Training was \$18,609 under budget since the deputy responsible for training was vacant for part of the year, causing reduced training and thus costs.

**Career Firefighting Clothing and Safety** was **\$16,216** over budget due to the unexpected hiring of two new deputy chiefs.



### Engineering & Public Works

**Overall department expenditures were over budget by \$138,901.**

**Street Lighting Electricity** was **\$23,822** over budget which is the result of not budgeting enough money for the line item. The same amount was budgeted as 2021, even though 2021 actuals were over budget by \$10k and rates increased. For 2023, this line item was budgeted better given past trends and rate increases, which were raised again.

**Tools** were **\$24,599** above budget, which is due to replacing tools stolen from the break and enter that occurred in December 2022.

**Gas, Oil & Diesel** was above budget by **\$36,453**. Much like other departments, there was a significant increase in the price of fuel and in usage and thus volume used. Over January and February of 2022, the Town had a lot of snow resulting in plow trucks using more fuel than anticipated.

**Works & Engineering Salaries** was **\$50,253** below budget overall. Casual wages were \$15,485 below budget due and salaries were \$16,043 below budget (only 2% difference, therefore by %, this is a small amount for a large number). Accordingly, benefits were \$18,383 below budget which is relative to the salaries and casual wages savings. In 2021, casual wages were higher due to Covid cleaning requirements. The 2022 budget was based on 2021, but the same level of cleaning was not required due to restrictions lifting. For 2023, this account was budgeted for accordingly based on historical figures prior to Covid.

**Street Patching** was lower than budget by **\$86,907** as the roads and streets were in relatively good shape in the spring. This is due, in part, to continued street reconstructions resulting in less roads needing patching each spring.

**Storm Sewer Maintenance** was below budget by **\$21,306**. There was \$20k worth of repairs anticipated that were not required (confirmed by video work).

**Snow & Ice Removal** was overall above budget by **\$205,777**. There was a harsher winter than usual/expected causing numerous accounts to be affected. Overtime was \$57,292 over budget for needed shifts and therefore is related to the number of storms we had in the beginning of 2022 year. Vehicle repairs and maintenance were \$27,811 over budget. This is due to the wear and tear of vehicles. There was heavy usage on vehicles related to the harsher winter in January and February to clean snow causing more repairs and maintenance. Gas, Oil & Diesel was also over budget by \$16,154 due to the same reasons as noted above. Salt was \$27,316 over budget to accommodate the rougher winter which required more salt (and the price also increased on salt) and the Snow Removal Contract account was \$33,479 above budget since there was a lot of snow and the amount is based on the number of hours worked by the contractor.



**Garbage Collection** was lower than budget by **\$19,399** since there was no fall clean up. There is a new contract in place which allows for one large item on clean garbage days, therefore replacing the clean up program the Town had previously.

#### **Parks, Recreation & Community Relations**

**Overall department expenses below budget by \$113,088.**

**Salaries, Wages and Benefits** were overall below budget by **\$61,816**. There was \$62,312 under budget for Salaries and Wages, then \$68,986 above budget for Overtime. Casual Wages were \$31,008 below budget and Winter Program Salaries were also \$27,405 below budget. In relation to those salaries, employee benefits were \$34,517 below budget. There were several staff changes in 2022 including the Manager of Facilities leaving unexpectedly in April (that position was vacant for a period of time). The arena was also closed for two months. For casual wages, there was a lack of applicants (no casuals applied for a job), therefore this led to that budget being under and resulted in overtime required, thus increasing that line item above budget. Winter program salaries were lower as the programs anticipated were not executed (Covid related).

**Aquatic Center & Pool – Student wages** were **\$20,742** above budget. The revenue in the aquatic center was up due to more classes, therefore accordingly the wages were also up.

**Building Repairs & Maintenance** – were **\$22,963** below budget due to renovations; the arena was closed for a few months.

**Community Relations** was below budget by **\$46,879**. There was a new position created for fiscal 2022 for a Community Relations Worker. Due to the timing of the hiring, the staff member was unable to execute all that was planned, therefore resulting in savings in the budget line.

**Repairs** were above for this department in three accounts. **Machinery and Equipment repair** was **\$14,747** above budget, and **Lawn Equipment Repair** was **\$16,202** above budget. The cost of parts was up, and the assets were reaching their end of life, therefore requiring more repairs to keep operational. **Vehicle Repairs** were also **\$15,686** above budget due to the same reasons.

**Snow removal** was **\$17,742** above budget, which like Public Works, was due to the harsher winter requiring more service (particularly January and February had a lot of snow in 2022).

**Sport & Field Landscaping** was **\$17,210** above budget. The cost and volume of paint and fertilizer used was higher than anticipated. The department noted that the growing season has been longer (climate change) as well requiring more maintenance. The budget was increased in 2023 to account for these factors.

**Land Development & Parking Lots** were **\$31,566** below budget. The department purposely underspent on this account to save money knowing costs were coming in high in general this year, therefore was a cost savings strategy to offset increases in other accounts deemed higher priority.





**Gas, Oil & Diesel** was **\$41,095** above budget, which is like other department due to the increase in price and volume used towards a harsher winter in 2022.

**Youth Center Expenses** were lower than budget by **\$35,559** due mostly to fewer casual wages (\$12,535), lower heating (\$6,632), and electrical costs (\$7,378). Per the department, changes derived from sickness/illness, more vacancies and a milder temperate than anticipated as well as less usage (Covid impact for partial year).

#### UTILITY FUND (WATER & SEWER)

The Town has an annual **SURPLUS** of **\$30,851**.

#### **REVENUES**

**Overall utility revenue more than budget by \$439,889.**

Of this, **\$163,667** of the overage is attributed to **Commercial Metered** customers. They are higher due to business re-openings, growth, and higher usage at Trans Aqua related to the large capital project recently completed which has altered their operational procedures. Accordingly, Sewer saw a \$61,088 amount above budget, and Sewer Treatment \$82,303, which trends the same as water.

**Connection & Service Charges** were **\$67,784** more than budget due to services being installed on streets: 1032 Cleveland and 67 Suffolk. There was a corresponding increase in water maintenance costs.

Similar to the General Fund, **Interest on Cash in the Bank** was **\$49,474** higher than budget, due to a more favorable interest rate than expected, which is market dependant. We also saw **\$20,869** more than budget on **Interest on Past Due A/R accounts**, which depends on collecting trends. We have more activity to collect funds since Covid measures have lifted so expectation is that interest will drop as we collect more. We have been looking more aggressive at collection efforts to notify residents once bills get above \$1k, which there are a lot presently, but collection efforts are going well.

#### **EXPENDITURES**

**Overall expenses higher than budget by \$409,038.**

*Many of the expenditures in the Utility Fund, are allocations from the General Fund, therefore the explanations provided above for accounts noted here also apply. The most significant line-item variances include:*

**Capital from Operating :** The Town was able to use higher than budgeted amount from this source of capital financing because of the extra cash on hand resulting from the above noted higher than budget revenues. The total budget for capital financing from the operating budget for water and sewer projects was \$1,600,000 but the Town was able to use \$1,729,186 to pay for the capital program. It was a strong positive to see that the additional revenue generated was able to absorb higher costs in capital projects (such as the watermain renewals for Montgomery and Ridgeway) and higher operational costs due mainly to inflation and supply chain pressures, for which explanation are provided below for significant variances. This provided an additional amount noted here towards paying for capital budgets.



The capital sources of financing also expected to use \$1,281,000 in CCBF funds, however, only used \$630,466. This was due to the above additional revenue, but also the deferral of some projects (East Riverview – Expansion of Pressure Zone \$80k, and Killarney trench watermain renewal \$750k). Therefore, this preserved funding will be used to finance future capital projects as planned (those deferred) in both the general and utility funds. There were no capital reserves planned or used for the Utility Fund.

**Water Labour Costs** were overall **\$16,293** over budget. Overtime was \$41,936 above budget, while salaries and casual wages were \$9,280 and \$16,022 below budget, respectively. As noted above, these accounts are allocations from the General Fund, therefore refer to the explanations there above for relevant accounts. We saw comparative increases in **Sewer Labour Costs**, which was **\$7,370** above budget for the same reasons (\$17,903 over budget for overtime, and savings were noted for salaries of \$4,148 and casual wages of \$6,295 which partially offset the overage in overtime).

**Water Operating Costs** were overall **\$183,741** above budget. Vehicle Repairs and Maintenance were \$25,688 above budget and Gas, Oil and Diesel was \$27,740 above budget. Both are allocations from the General Fund, therefore have the same explanations. The largest contributor to the variance was Water Maintenance, which was \$121,297 above budget. This was for the costs to install water services at Cleveland and Suffolk (noted above). We saw a corresponding increase in revenue. Also in this line item is the cost of watermain breaks, which is difficult to budget for as we cannot predict the actual water breaks that occur (which occur more when the temperature fluctuates).

**Sewer Operating Costs** were overall **\$90,152** above budget. Primary causes were also Vehicle Repairs and Maintenance of \$26,793 and Gas, Oil & Diesel of \$28,178, which again are allocations. Sewer Pavement Patching was \$38,348 above budget. When a resident asks for new service, say a commercial development, the department will install new infrastructure at the lot. The developers will pay for the lot (goes to Connection and Service Revenue – see above), and the corresponding expense is allocated out, including in this account. Thus, there is higher revenue to account for the higher expense, which nets out.

**Water Purchase Cost** (*from City of Moncton*) was over budget by **\$24,008** or 2.0% on a budget of \$,1200,000, therefore comparatively small given large dollar value. This increased is mostly due to the increased use by TransAqua.

This concludes the end of this report.

**If you have any questions, please do not hesitate to contact me.**

**Thank you kindly,  
Shannon Parlee, CPA  
Director of Finance and Information Technology**