

Township of Perth South

Report to Council

TO: Mayor Wilhelm and Members of Council
FROM: Rebecca Clothier, CAO/Treasurer
DATE: October 18, 2022
SUBJECT: Capital Fund Variance Report as of October 14, 2022

Recommendation

THAT the Report of the Administrator/Treasurer entitled Capital Fund Variance Report as of October 14, 2022, dated October 18, 2022 be received for information.

Executive Summary

The majority of proposed capital projects have been completed with 92% of the capital budget spent. However, some of these projects have exceeded original cost estimates. Significant cost increases have been experienced on road infrastructure projects due to the increase in asphalt prices that has occurred since the projects were tendered. In addition, some billing for work remains outstanding for shouldering work completed. At this time, it is estimated that spending on capital infrastructure will exceed budgeted amounts by approximately \$116,000 at the end of the year. This overspending is equal to a 2.94% levy increase and will need to be funded through savings realized in operations or through additional reserve contributions. Further discussions on funding this capital deficit will occur closer to year end when operating costs are being finalized. The Operating and Capital Variance Report for the fiscal period ending September 30, 2022 will be presented to Council at the November 1, 2022 Council meeting.

Comments/Analysis

The Capital Fund Variance Report provides details on the Council approved capital projects, including the project description, current status in terms of construction, and the amount of spending to date in comparison to budgeted amounts.

Each year, due to the nature of construction projects, the majority of work is generally completed in the summer months and the billings follow the completion of the work. The 2022 year is similar to other years in this regard.

Capital Fund Variance Report as of October 14, 2022

October 18, 2022

Page 2 of 3

The 2022 Capital Budget included infrastructure spending which totaled \$3,148,091 on projects from the following Departments:

Department	Actual Spending	Budgeted Spending	Percentage of Budget Spent
Administrative Infrastructure	\$ 1,425	\$96,000	1%
Protective Infrastructure	\$ 97,441	\$127,020	77%
Roads Infrastructure	\$2,296,519	\$2,191,961	105%
Bridge & Culvert Infrastructure	\$ 33,534	\$27,000	124%
Transportation Vehicles	\$ 337,114	\$540,836	62%
Waste Management Infrastructure	\$ 0	\$30,000	0%
Recreation Facilities	\$136,080	\$135,268	101%
Total Capital Spending	\$2,902,113	\$3,148,091	92%

This capital spending was funded from a variety of sources including infrastructure grants, reserve transfers, recoveries, and the taxation levy. The following table provides a detailed breakdown:

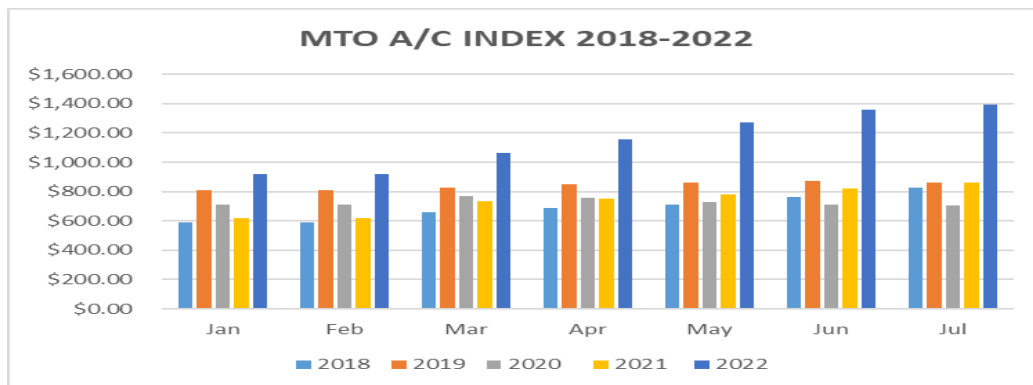
Source of Funding	Actual Funding	Budgeted Funding	Percentage of Budget
Taxation Levy	\$ 1,038,322	\$1,074,191	97%
Transfers from Reserves	\$ 1,109,133	\$1,257,798	88%
Proceeds of Sale	\$0	\$0	0%
Federal Gas Tax	\$ 236,997	\$236,997	100%
Provincial OCIF	\$ 369,524	\$428,000	86%
Total Funding	\$ 2,754,776	\$3,017,086	91%

As of October 14, 2022 the Capital Fund Variance Report indicates that the total capital spending is equal to 92% of the total capital budget.

The capital construction costs for the roads are over budget due to the increases in the MTO A/C Index. The Ontario Ministry of Transportation (MTO) used the Asphalt and Cement (A/C) Index as a tool for calculating the contract adjustments for unexpected changes in asphalt and cement prices between when the project was bid and when the asphalt was placed.

Capital Fund Variance Report as of October 14, 2022
October 18, 2022
Page 3 of 3

The MTO A/C index changes are shown in the graph below. As the graph illustrates, there have been significant increases to this index in 2022 resulting in increased construction costs. The MTO A/C Index has increased 62% between July 2021 and July 2022. In more recent months, the AC Index has declined. In August 2022 it declined 1% and in September 2022 it declined a further 4%. Due to the significant increases that previously occurred, the AC Index remains high and will increase construction costs beyond original tender amounts.



Financial Implications to Budget

The capital spending results for period ending on October 14, 2022 estimates that additional funding of \$116,000 will be required to off-set spending that exceeded budgeted amounts. This amount of funding is equal to a 2.94% levy increase. The shortfall in revenue will have to be covered by either: (a) savings in other areas of the budget or (b) through additional reserve transfers. The Operating and Capital Budget Variance Report as of September 30, 2022 will be presented to Council at the November 1, 2022 meeting. This report will give Council some additional insight into the entire financial position and options that may be considered at year end to fund the capital shortfall.

Attachments:

1. Capital Fund – Statement of Capital Revenues and Expenses

Respectfully submitted by:

Rebecca Clothier
Chief Administrative Officer/Treasurer

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments	
Administration						
Old Township Office						
Revenue						
Provincial Capital Grant	(1,425)	(96,006)	1%	(94,581)		
Total Revenues	(1,425)	(96,006)	1%	(94,581)	Drawings complete and small amount of asbestos has been removed. Project ready to be tendered.	
Expenses						
Contracted Expenses	1,425	96,006	1%	94,581		
Total Expenses	1,425	96,006	1%	94,581		
Net Contribution to Municipal Position	-	-	0%	-		
Protection of People & Property						
Pick-up Truck						
Revenue						
Transfer From Reserves	(39,095)	(9,005)	434%	(30,090)	The new pick up truck has been purchased and is in use. The old pick up has not been disposed. Staff considering options for truck in Public Works as it is in excellent condition and has low kilometers.	
Proceeds from Sale		(30,000)		30,000		
Total Revenues	(39,095)	(39,005)	100%	(90)		
Expenses						
Capital Purchase	39,095	39,005	100%	90		
Total Expenses	39,095	39,005	100%	90		
Net Contribution to Municipal Position	-	-	0%	-		

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments
e-Permitting Software					
Revenue					
Transfer From Reserves		(18,000)		(18,000)	The software company continues to work on the development of this software. A launch is anticipated in early 2023. This project will likely be deferred until that time. It will be included in the 2023 budget.
Total Revenues	-	(18,000)		(18,000)	
Expenses					
Capital Purchase		18,000			The software company continues to work on the development of this software. A launch is anticipated in early 2023. This project will likely be deferred until that time. It will be included in the 2023 budget.
Total Expenses		18,000		18,000	
Net Contribution to Municipal Position	-	-		-	
Police Cruiser					
Revenue					
Transfer From Reserves	(49,285)	(49,285)	100%	-	Cost of replacement cruiser included in monthly billings.
Proceeds from Sale	0	(5,000)	0%	(5,000)	
Total Revenues	(49,285)	(54,285)	91%	(5,000)	
Expenses					
Capital Purchase	58,346	70,015	83%	11,669	Cost of replacement cruiser included in monthly billings.
Total Expenses	58,346	70,015	83%	11,669	
Net Contribution to Municipal Position	9,061	15,730	58%	6,669	

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments
Transportation - Bridges					
Structure 46 - Line 14 East of 134					
Revenue					
Total Revenues					
Expenses					
Contracted Services	33,534	27,000	124%	(6,534)	Project is complete. Actual project cost is \$6,534 greater than budgeted.
Total Expenses	33,534	27,000	124%	(6,534)	
Net Contribution to Municipal Position	33,534	27,000	124%	(6,534)	
Transportation - Roads					
Line 10 (RDS 7, 8, 9, & 10)					
Revenue					
Gas Tax Funding	(236,997)	(236,997)	100%	-	
Total Revenues	(236,997)	(236,997)	100%	-	
Expenses					
Contracted Services	1,140,990	1,066,562	107%	(74,428)	Project is complete. Actual project cost is \$74,428 greater than budgeted.
Total Expenses	1,140,990	1,066,562	107%	(74,428)	
Net Contribution to Municipal Position	903,993	829,565	109%	(74,428)	

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments
Line 4 (S. 23 & 24) - Road 151 to Road 164					
Revenue					
Transfer from Reserves	(413,811)	(413,811)	100%	-	
Total Revenues	(413,811)	(413,811)	100%	-	
Expenses					
Contracted Services	451,105	413,811	109%	(37,294)	Project is complete. Actual project cost is \$37,294 greater than budgeted.
Total Expenses	451,105	413,811	109%	(37,294)	
	-				
Net Contribution to Municipal Position	37,294	-		(37,294)	
Road 138 - Line 6 - Perth Line 8 (S. 37)					
Revenue					
Total Revenues					
Expenses					
Contracted Services	-	5,007	0%	5,007	Project is complete. Billing from Perth County is outstanding.
Total Expenses	-	5,007	0%	5,007	
Net Contribution to Municipal Position	-	5,007	0%	5,007	

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	Actuals	Budget	% of Budget	Budget Remaining	Comments
Road 120 (S. 62 & 63) Perth Line 9 to Line 14					
Revenue					
Transfer from Reserves	(131,484)	(131,484)	100%	-	
Total Revenues	(131,484)	(131,484)	100%	-	
Expenses					
Contracted Services	138,879	131,484	106%	(7,395)	
Total Expenses	138,879	131,484	106%	(7,395)	
	-				
Net Contribution to Municipal Position	7,395	-		(7,395)	Project is complete. Project cost is \$7,295 greater than budgeted.
Road 125 (S. 56) Line 14 to Boundary					
Revenue					
Transfer from Reserves	(94,263)	(100,496)	94%	(6,233)	
Total Revenues	(94,263)	(100,496)	94%	(6,233)	
Expenses					
Transfer to Reserves	-	-		-	
Engineering	-	-		-	
Contracted Services	94,263	100,496	94%	6,233	
Total Expenses	94,263	100,496	94%	6,233	
	-				
Net Contribution to Municipal Position	-	-		-	Project is complete. Actual project cost is \$6,233 less than budgeted.

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments
Line 14 (S. 55.1) - Road 125 to Road 120					
Revenue					
Transfer from Reserves	(30,922)	(30,922)	100%	-	
Provincial Capital Grant	-	-		-	
Total Revenues	<u>(30,922)</u>	<u>(30,922)</u>	<u>100%</u>	<u>-</u>	
Expenses					
Contracted Services	42,495	30,922	137%	(11,573)	
Total Expenses	<u>42,495</u>	<u>30,922</u>	<u>137%</u>	<u>(11,573)</u>	
Net Contribution to Municipal Position	<u>11,573</u>	<u>-</u>		<u>(11,573)</u>	Project is complete. Actual cost is \$11,573 more than budgeted.
Line 15 (S.120/121/122) Hwy 7 - Perth Rd 130					
Revenue					
Provincial Capital Grant	(332,094)	(332,094)	100%	-	
Total Revenues	<u>(332,094)</u>	<u>(332,094)</u>	<u>100%</u>	<u>-</u>	
Expenses					
Materials Purchased	-	-			
Advertising	-	-			
Engineering	-	-			
Contracted Services	428,786	443,679	97%	14,893	
Total Expenses	<u>428,786</u>	<u>443,679</u>	<u>97%</u>	<u>14,893</u>	
Net Contribution to Municipal Position	<u>\$ 96,692</u>	<u>111,585</u>	<u>87%</u>	<u>14,893</u>	Project is complete. Actual project cost is \$14,893 less than budgeted.
Transportation - Vehicles					
Tandem Plow					
Revenue					
Transfer From Reserves	(299,296)	(253,022)	118%	(253,022)	
Proceeds from Sale	-	(20,000)	0%	(20,000)	

TOWNSHIP OF PERTH SOUTH
Statement of Revenues and Expenses
As of October 14, 2022

	Actuals	Budget	% of Budget	Budget Remaining	Comments
Total Revenues	(299,296)	(273,022)	110%	(273,022)	
Expenses					Truck has been received.
Capital Purchase	299,296	273,022	110%	(26,274)	
Total Expenses	299,296	273,022	110%	(26,274)	
Net Contribution to Municipal Position	-	-		-	
Loader					
Revenue					
Transfer From Reserves	-	(190,000)	0%	(190,000)	
Proceeds from Sale	-	(40,000)	0%	(40,000)	
Total Revenues	-	(230,000)	0%	(230,000)	Working on joint tender with Perth County. Expected to be out for tender soon.
Expenses					
Capital Purchase	-	230,000	0%	230,000	
Total Expenses	-	230,000	0%	230,000	
Net Contribution to Municipal Position	-	-		-	

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Statement of Revenues and Expenses
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	Actuals	Budget	% of Budget	Budget Remaining	Comments
Pick Up Truck					
Revenue					
Transfer From Reserves	(37,819)	(17,814)	212%	(17,814)	
Proceeds from Sale	0	(20,000)	0%	(20,000)	
Total Revenues	(37,819)	(37,814)	100%	(37,814)	
Expenses					
Capital Purchase	37,819	37,814	100%	(5)	Pick up truck sold at auction.
Contracted Services				-	
Total Expenses	37,819	37,814	100%	(5)	
Net Contribution to Municipal Position	0	-		(0)	
Environmental Services					
Garbage Disposal - Downie Landfill					
Revenue					
Transfer from Reserves	-	(30,000)		-	
Total Revenues	-	(30,000)		-	
Expenses					
Contracted Services	-	30,000		-	CAO/Treasurer working on finalizing agreement and water rights purchase.
Total Expenses	-	30,000		-	
Net Contribution to Municipal Position	-	-		-	

TOWNSHIP OF PERTH SOUTH
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	Actuals	Budget	% of Budget	Budget Remaining	Comments
Recreational Facilities					
Optimist Building Improvements					
Revenue					
Federal Capital Grant	(36,005)	(36,005)	100%	-	Project is close to completion. Minor deficiencies are now being corrected. It is anticipated that this project will be over budget by \$5,000 at year end.
Transfer from Reserves	(13,959)	(13,959)	100%	-	
Total Revenues	<u>(49,964)</u>	<u>(49,964)</u>	<u>100%</u>	<u>-</u>	
Expenses					
Materials Purchased	16,892	-		(16,892)	
Contracted Services	119,188	135,268	88%	16,080	
Total Expenses	<u>136,080</u>	<u>135,268</u>	<u>101%</u>	<u>(812)</u>	
Net Contribution to Municipal Position	<u>86,116</u>	<u>85,304</u>	<u>101%</u>	<u>(812)</u>	
Total Township of Perth South	<u>\$ 1,185,659</u>	<u>\$ 1,074,191</u>	<u>110%</u>	<u>\$ (111,468)</u>	