



THE CORPORATION OF THE CITY OF VERNON

**INTERNAL M E M O R A N D U M**

**TO:** Will Pearce, CAO **FILE:** 1830-02 (2022)  
**FROM:** Debra Law, Director, Financial Services **DATE:** July 29, 2022  
**SUBJECT: JUNE 30, 2022 VARIANCE ANALYSIS**

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This memorandum is provided to present the year to date operating financial results for the City of Vernon for the first half of 2022. The “Summary of Amended Budget vs YTD Actuals” (Attachment 1) shows the 2022 Amended Budget and the 2022 Actuals YTD recorded to the end of June 2022. The two pages provided show the Revenue budget and year to date results and Expenditure budget and year to date results. The “2022 Budget” column is the amended budget as of the Council meeting dated June 27, 2022. The “2022 Actual YTD” column is the transactions recorded to the end of June 30, 2022. Generally, it is expected that revenues and expenditures will have a difference between budget and actuals in a range between 42% and 50%. 42% represents 5/12 of the year – often expenditure transactions are recorded a month behind. 50% represents 6/12 of the year – most revenues are recorded as earned. The report assumes that budgeted transactions are recorded evenly throughout the year. Exceptions to this assumption are noted below.

**Revenues**

The overall average difference reported for revenues is 65%. Most of this is due to taxation. Taxation of \$48.7 million is all reported in the month of May, increasing the year to date difference by 25%. Adjusted for taxation, the overall average difference for revenue is 40%.

Some revenues are recorded or received quarterly including utility revenues, some contracted revenues and some senior government revenues – these revenues are recorded in the quarter billed or received until the end of the year. Examples of quarterly revenues are utility billings, water contract, fire contracts and casino revenues. Gas tax revenues are a one-time payment received in the summer. All of these examples result in revenues appearing to be lower than budgeted during each quarterly report.

Some revenues are exceeding budget at this time. The most significant is revenues in Community Infrastructure and Development (building permits, subdivision application fees, land use application fees and subdivision inspections fees). Year to date they are totalling \$1.1 million, equal to the total budget.

The rest of the difference in revenues is related to transfers from reserves totalling \$3.5 million. Only \$1.4 million has been recorded to date; the remainder will be recorded by the end of the year.

## **Expenditures**

The overall average difference reported for expenditures is 35%. Some of this difference is due to salary and wages. Salaries and wages are generally recorded as staff perform the work which should result in about half of the budget being spent. Actuals total \$17.1 million with a total budget of \$37.6 million. This results in a difference of 45.6% of budget, \$1.7 million or 4.4% below expected budget.

Contracted services, including contracts for transit and RCMP services have year to date actuals well below budget due to the timing of billing for these services. RCMP invoices are received quarterly; transit billings are received monthly at least one month after the services are received. Contract services for Public Works and Parks are generally for services utilized in the summer months resulting in lower than expected costs in Operations and Parks for this reporting period.

Over \$8.2 million in transfer to reserves have not been recorded yet, causing the difference in expenditures to appear lower than expected budget by 4.4% (one half of the range % difference). Similarly, internal transfers are generally recorded at the end of the year when relevant transactions related to the transfer are known; there is \$3.3 million of budget internal transfers not recorded yet.

## **RECOMMENDATION:**

THAT Council receive for information the memorandum titled "June 30, 2022 Variance Analysis" dated July 29, 2022 and respectfully submitted by the Director, Financial Services.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Law".

Attachment – June 30, 2022 Variance Analysis - Operating

## Summary of Amended Budget vs YTD Actuals

Actual Amounts as of June 30, 2022

Expected Difference % Range = 42% to 50%

	2022 Budget	2022 Actual YTD	2022 Diff \$	2022 Diff %	Comments
<b>Revenues</b>					
Administration	(1,000)	0	(1,000)	0%	
Community Infrastructure & Development	(2,122,769)	(1,411,808)	(710,961)	67%	YTD building permits, subdivision application fees, land use application fees and subdivision inspection fees, totalling \$1.1 million has already met the total budget. Business licenses are down slightly but most of this revenue is received towards the end of the year.
Tourism	(1,193,780)	(379,223)	(814,557)	32%	MRDT revenues received up to April only.
Transit	(3,796,115)	(1,480,327)	(2,315,788)	39%	Provincial revenue sharing recorded up to May only.
Community Safety Lands & Administration	(2,148,013)	(873,783)	(1,274,230)	41%	Internal revenues and transfers from reserves not recorded yet, some are dependent on expenditures.
RCMP Municipal Support	(500,057)	(80,521)	(419,536)	16%	Invoicing for shared services not done yet for 2022; Keep of Prisoners payments continue to be delayed.
Financial Services - General	(9,411,226)	(2,313,905)	(7,097,321)	25%	Investment interest recorded up to Mar 31; 2nd quarter admin fees and penalties on taxes calculated in July; Gas tax of \$1.8 million expected in July; Casino grant 2nd quarter payment received in July; Grants in lieu are received at the end of the year.
Financial Services - Sewer	(10,545,284)	(2,384,167)	(8,161,117)	23%	Utilities billed quarterly - 2nd quarter billing calculated in July.
Financial Services - Taxation	(48,657,779)	(48,650,392)	(7,387)	100%	All taxes recorded in May.
Fire Rescue Services	(111,344)	(11,166)	(100,178)	10%	Several fire contracted recoveries recorded in July.
Human Resources	(274,810)	(213,840)	(60,970)	78%	Most revenues recorded related to carried over items from 2021.
Operations - General	(7,685,244)	(2,637,672)	(5,047,572)	34%	Internal revenues and transfers from reserves not recorded yet; Aviation gas sales trending to exceed budget by year end.
Parks	(753,671)	(539,088)	(214,583)	72%	Cemetery and parking lot sales higher than budget.
Utilities	(5,134,439)	(1,071,512)	(4,062,927)	21%	2nd quarter utility bills calculated in July.
RCMP Contract	(503,270)	(458,521)	(44,749)	91%	One time payment of traffic fine revenue received lower than budget.
Recreation Contract	(5,354,488)	(1,474,422)	(3,880,066)	28%	Recoveries from funding partners of \$1.2 million received in July.
Laker's Clubhouse	(17,100)	(8,730)	(8,370)	51%	
	<b>(98,210,389)</b>	<b>(63,989,077)</b>	<b>(34,221,312)</b>		

### Summary of Amended Budget vs YTD Actuals

Actual Amounts as of June 30, 2022

Expected Difference % Range = 42% to 50%

	2022 Budget	2022 Actual YTD	2022 Diff \$	2022 Diff %	Comments
<b>Expenditures</b>					
Administration	936,953	506,990	429,963	54%	Corporate membership dues paid for the full year.
Community Infrastructure & Development	4,792,351	1,819,964	2,972,387	38%	Actual salaries 40% of budget, ongoing projects underspent to date.
Tourism	1,193,780	716,678	477,102	60%	Many summer tourism marketing campaigns are pre-paid early in the year.
Transit	5,910,844	2,009,704	3,901,140	34%	Actual costs recorded up to May only.
Community Safety Lands & Administration	5,404,620	2,248,488	3,156,132	42%	Year to date actuals within range of budget.
RCMP Municipal Support	2,690,196	1,232,637	1,457,559	46%	Year to date actuals within range of budget.
Financial Services - General	7,039,283	1,782,668	5,256,615	25%	Transfers to reserves were recorded in July.
Financial Services - Sewer	4,120,457	227,683	3,892,774	6%	Transfers to reserves are recorded once year end results are known.
Fire Rescue Services	7,355,641	3,272,813	4,082,828	44%	Year to date actuals within range of budget.
Human Resources	2,022,594	775,121	1,247,473	38%	Contracted service costs will be incurred in late 2022, COR budget unspent to date.
Operations - General	15,030,001	6,213,967	8,816,034	41%	Solid waste billing occurs in July; Aviation gas costs higher than budget due to excess sales.
Parks	4,259,987	1,296,647	2,963,340	30%	Expenses are concentrated more in Spring/Summer.
Utilities	11,860,060	4,451,967	7,408,093	38%	Most electricity costs trend later in the year; Common service fees recorded later in 2022.
RCMP Contract	11,555,852	2,533,526	9,022,326	22%	2nd quarter invoice recorded during 3rd quarter, expect year end results to be within budget.
Recreation Contract	7,137,142	3,009,100	4,128,042	42%	Year to date actuals within range of budget.
Laker's Clubhouse	33,384	13,345	20,039	40%	
	<b>91,343,145</b>	<b>32,111,298</b>	<b>59,231,847</b>		
<b>Net Revenues over Expenditures</b>	<b>(6,867,244)</b>	<b>(31,877,779)</b>	<b>25,010,535</b>		