



Report to: General Committee

Meeting Date: October 4, 2021

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**SUBJECT:** 2021 July Year-To-Date Results of Operations and Year-End Forecast  
**PREPARED BY:** Jay Pak, Senior Financial Analyst  
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**RECOMMENDATION:**

- 1) THAT the report titled “2021 July Year-To-Date Results of Operations and Year-End Forecast” be received; and,
- 2) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**EXECUTIVE SUMMARY:**

Council approved the 2021 annual operating budget of \$415.70M on December 9, 2020 which includes the City’s primary operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

This report provides an overview of the 2021 July year-to-date operating results comparing actual to budget and includes impacts related to the ongoing COVID-19 pandemic and a forecast of the year-end results.

**Primary Operating Budget - Year-to-date July 2021 (Appendix 1)**

**(Includes winter maintenance, excludes Planning & Design, Engineering, Building Standards and Waterworks)**

<p><b>July 2021 YTD favourable variance excluding Recreation, Culture, Library and winter maintenance is \$5.98M</b></p>
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All figures (actual, budget and variance) reflect the year-to-date July results (January 1 to July 31).

(\$ in millions)	2021		Variance	% of
	Actual	Budget	fav./ (unfav.)	Budget
Revenues	172.38	171.71	0.67	100.4%
Expenses	102.44	107.75	5.31	95.1%
<b>Total excluding Recreation, Culture, Library, and Winter Maintenance</b>	<b>69.94</b>	<b>63.96</b>	<b>5.98</b>	<b>A</b>
Recreation	4.09	5.30	1.21	
Culture	0.85	1.33	0.48	
Library	5.42	8.41	2.98	
Sub-total Recreation, Culture, Library	10.36	15.04	4.67	B
Day-to-Day Operations	59.58	48.92	10.65	C=A+B
Winter Maintenance	4.35	7.88	3.53	D
<b>Total including Recreation, Culture, Library and Winter Maintenance</b>	<b>55.23</b>	<b>41.04</b>	<b>14.18</b>	<b>E=C+D</b>

**City's favourable variance including Recreation, Culture, and Library (excluding winter maintenance) is \$10.65M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Recreation Services revenue	(\$13.71) M	Salaries & benefits	\$17.96 M
Theatre, Art Centre and Museum revenue	(\$2.38) M	Professional services/ office supplies/ training/ travel	\$2.50 M
Parking fines	(\$1.18) M	Utilities and Streetlight hydro	\$1.96 M
Library revenue	(\$0.48) M	Contract service agreements	\$0.96 M
Financial administrative & Legal fees	(\$0.08) M	Maintenance & repairs	\$0.90 M
Licenses & Permits	(\$0.03) M	Corporate Contingency	\$0.60 M
Investment income	\$0.22 M	Communications & Programs	\$0.53 M
Federal and Provincial grants	\$0.38 M	Operating materials & supplies	\$0.29 M
Property tax penalty and interest	\$1.18 M	Promotion & advertising	\$0.21 M
		Credit Card Service Charges	\$0.20 M
		Municipal Contracted Services	\$0.18 M
Other	\$0.18 M	Other	\$0.25 M
<b>Total</b>	<b>(\$15.90) M</b>	<b>Total</b>	<b>\$26.55 M</b>

### **Winter Maintenance**

The 2021 actual winter maintenance expenditures at the end of the July totaled \$4.35M against a budget of \$7.88M, resulting in a favourable variance of \$3.53M.

### **Primary Operating Budget – 2021 Year-End Forecast**

**Winter Maintenance is projected to be favourable at year-end  
between \$2.30M to \$2.92M**

Winter maintenance operations is projected to be favourable to budget by year-end between \$2.30M to \$2.92M using an assumption of 40%-80% unfavourability for the last six weeks of the year. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

**Recreation, Culture, and Library are collectively projected to be favourable at year-end by \$5.38M**

In response to the circumstances resulting from the ongoing COVID-19 pandemic in 2020, staff have implemented several efficiency measures including the closure of community centres, public libraries and all culture venues and corresponding redeployment of staff which will result in projected year-end surpluses.

The forecast for Recreation is a surplus of \$1.40M (\$21.80M unfavourable in revenues offset by \$23.20M favourable in expenses), Library is a surplus of \$3.35M (\$0.84M unfavourable in revenues, offset by \$4.19M favourable in expenses), Museum \$0.41M, Art Centres \$0.18M, and Theatre \$0.03M (\$3.79M unfavourable in revenues, offset by \$4.42M favourable in expenses across the three venues). The projections include a partial re-opening plan for community centres and libraries commencing in September of 2021. The projected favourable variance for Recreation, Culture, and Library collectively is \$5.38M. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

**The City has/will receive a total of \$18.47M in safe-restart funding and COVID-19 Recovery funding. By the end of 2021, \$9.47M will be allocated with the remaining balance of \$9.00M to be allocated in 2022 and 2023.**

The City received Phases 1 and 2 safe-restart funding totaling \$9.47M in 2020, and will receive an additional \$9.00M as part of the 2021 Provincial COVID-19 Recovery Funding for Municipalities this year (Total of \$18.47M). In 2020, the City utilized \$5.74M of the received funding to mitigate Recreation, Culture, and other COVID related impacts, as well as setting aside a provision for future tax appeals. For 2021, staff will be utilizing \$3.73M of the available funding to mitigate the loss of revenue in Recreation and Culture as well as other COVID impacts with the remaining available balance of \$9.00M to be utilized in 2022 and 2023.

**Primary Operating budget is projected to be favourable at year-end between \$8.30M to \$9.30M**

Based on current information, staff are forecasting a year-end favourable variance in the primary operating budget between \$8.30M to \$9.30M. This includes revenue impacts from the COVID-19 pandemic (excluding Recreation, Culture, Library, and winter maintenance) and mitigating strategies implemented by senior staff to reduce expenditures in response to the pandemic:

- Personnel savings including salary gapping and part time savings resulting in anticipated net savings of \$3.0M to \$4.0M by year-end
- Non-Personnel savings from reduced discretionary expenditures & program-related costs resulting in anticipated savings of \$5.8M to \$6.3M by year-end
- Revenues are projected to be unfavourable primarily in parking fines, business licenses, and sports fields rentals netted against favourability in penalty and

interest, investment income and waste grants, for a net \$0.5M to \$1M unfavourable by year-end

Additional details of the one-time surpluses are located in the body of the report.

Any year-end surplus will be transferred to reserves as per the Council approved policy.

**Planning & Design (Appendix 2)**

Actual \$4.23M – Budget \$3.67M = YTD Favourable variance of \$0.56M

***Year-End Projection:***

Planning & Design is projecting a year-end surplus of \$4.22M compared to a budgeted surplus of \$3.22M. This will result in an additional transfer to reserve of \$1.00M. The variance is primarily the result of personnel favourability from the continuation of 3 net average vacancies and lower than budgeted backfills of planning staff through to year-end

**Engineering (Appendix 3)**

Actual \$8.392M – Budget \$1.90M = YTD Favourable variance \$6.49M

***Year-End Projection:***

Engineering is projecting a year-end surplus of \$9.95M compared to a budgeted surplus of \$0.00M. This will result in an additional transfer to reserve of \$9.95M. The variance is due to higher than expected Engineering revenues (\$9.50M) and favourability in personnel (\$0.37M), from the continuation of 4 net average vacancies through to year-end. Favourability in Engineering revenues was a result of unanticipated Engineering Fees collected, in particular, from the following major developments:

- \$1.5M from various FUA developments (previously anticipated to come in 2023)
- \$2.7M from the York Downs development (previously anticipated to come in 2022)
- \$1.4M from the Lindwide Cornell Development (previously anticipated to come in 2022)

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a surplus position of \$23.1M at year-end (see Appendix 4).

**Building Standards (Appendix 5)**

Actual \$1.90M – Budget \$1.16M = YTD Favourable variance \$0.74M

***Year-End Projection:***

Building is projecting a year-end surplus of \$1.90M compared to a budgeted surplus of \$1.55M. This will result in an additional transfer to reserve of \$0.35M. The variance is due to favourability in personnel, from the continuation of 2 net average vacancies through to year-end.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$8.25M at year-end (see Appendix 6).

**Waterworks (Appendix 7)**

Actual \$8.00M – Budget \$7.81M = YTD Favourable variance \$0.18M

***Year-End Projection:***

Waterworks is projected to be on budget for year-end and will result in the transfer to reserve of \$16.15M. The favourable variance in personnel and non-personnel expenditures is anticipated to be offset by unfavourable variance in net sales and purchase of water.

This is independent of maintaining the 2021 water rate at 2019 levels.

The Waterworks reserve balance is projected to be \$74.47M at year-end (see Appendix 8).

**PURPOSE:**

To report on the year-to-date actual 2021 operating budget results versus the budgeted 2021 operating budget as at July 31, 2021.

**BACKGROUND:**

Council approved the 2021 annual operating budget of \$415.70M on December 9, 2020 which includes the City's primary operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

The Planning & Design, Engineering, Building Standards and Waterworks operating budgets are primarily user fee funded, including planning and engineering fees, building permit fees and water billings. Separate reserves have been established to support the department's day-to-day operations and capital programs.

The year to date operating budget is calendarized based on available current year information, historical spending patterns and trends and future projections. The intent and focus of this report is to communicate actual performance against the annual plan and to highlight variances.

All budgets are monitored on a monthly basis and departments provide details of material variances (actual to budget). The variances are reviewed, substantiated and summarized by the Financial Planning department.

This report provides a variance analysis by:

1. City's primary operating budget by Commission/Department; and
2. City's primary operating budget by major accounts

**OPTIONS/ DISCUSSION:****1. CITY'S PRIMARY OPERATING BUDGET BY COMMISSION/DEPARTMENT**

Net results (revenues – expenses) for the three months ended July 31, 2021 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 6 to 11.

The following table is a summary of all commissions year-to-date April results (\$ in millions):

<b><u>Commission</u></b>	<b><u>YTD July 2021</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
CAO's Office, Human Resources, Fire and Legal	\$ 26.37	\$ 27.08	\$ 0.71
Community Services (excl. winter maintenance)	\$ 30.35	\$ 35.37	\$ 5.02
Corporate Services	\$ 12.11	\$ 12.53	\$ 0.42
Development Services	\$ 3.36	\$ 4.56	\$ 1.20
Mayor & Council	\$ 1.58	\$ 1.77	\$ 0.18
Corporate Items	\$(133.35)	\$(130.22)	\$ 3.12
<b>Net Expense/ (Revenue)</b>	<b>\$ (59.57)</b>	<b>\$ (48.92)</b>	<b>\$ 10.65</b>

Explanations for variances greater than \$0.05M by each Commission and Department are provided on the following pages.

**CAO's Office, Human Resources, Fire Services and Legal Department (Appendix 6)**

<b><u>Department</u></b>	<b><u>YTD July 2021</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
CAO's Office	0.37	0.44	\$ 0.07
Human Resources	1.30	1.78	\$ 0.48
Fire Services	23.74	23.70	\$ (0.04)
Legal	0.96	1.16	\$ 0.20
<b>Net Expense</b>	<b>\$ 26.37</b>	<b>\$ 27.08</b>	<b>\$ 0.71</b>

**CAO'S Office** (Actual \$0.37M – Budget \$0.44M = Variance \$0.07M)

Favourable variance of \$0.07M is mainly due to a year-to-date average of one temporary net vacancy.

**Human Resources** (Actual \$1.30M – Budget \$1.78M = Variance \$0.48M)

Favourable variance of \$0.48M is mainly due to a year-to-date average of three temporary net vacancies and favourability due to timing in recruitment advertising and legal services.

**Legal Services** (Actual \$0.96M – Budget \$1.16M = Variance \$0.20M)

Favourable variance mainly due to timing in legal services \$0.08M and favourability in service charges \$0.07M.

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**Community Services – excluding winter maintenance (Appendix 7)**

<b><u>Department</u></b>	<b><u>YTD July 2021</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./unfav.</u></b>
Operations	14.15	14.51	\$ 0.36
Library	5.42	8.41	\$ 2.99
Recreation Services	4.09	5.30	\$ 1.21
Environmental Services	0.47	0.55	\$ 0.08
Waste	6.15	6.39	\$ 0.24
Commissioner's Office	0.07	0.21	\$ 0.14
<b>Net Expense</b>	<b>\$ 30.35</b>	<b>\$ 35.37</b>	<b>\$ 5.02</b>

**Operations** (Actual \$14.15M – Budget \$14.51M = Variance \$0.36M)

Favourable variance mainly due to a year-to-date average of seven temporary net vacancies for \$0.39M, fuel savings of \$0.1M and road occupancy permits revenue for \$0.17M, partially offset by unfavourability in sport fields revenue from park closures (\$0.31M).

**Library** (Actual \$5.42M – Budget \$8.41M = Variance \$2.99M)

Favourable variance mainly due to part-time savings \$2.79M, year-to-date average of seven temporary net vacancies for \$0.45M offset by lost fine and program revenue of (\$0.38M) related to the closure of facilities and cancellation of programs from the COVID-19 pandemic. A partial opening of select libraries is scheduled for September of 2021 and it is anticipated that the Library department will have a \$3.35M favourable variance by year-end.

**Recreation Services** (Actual \$4.09M – Budget \$5.30M = Variance \$1.21M)

Unfavourable variances in ice, gym, pool and soccer rentals totaling (\$3.88M), spring aquatic and program registration fees totaling (\$6.43M), fitness programs (\$1.61M), and camps (\$1.48M) partially offset by part-time savings \$5.92M, full time savings \$4.68M from redeployments and temporary layoffs and gapping (65 as of July), utilities \$1.48M, facility maintenance \$0.79M, operating materials and supplies \$0.74M and contracted services (\$0.72M). These variances are due to the closure of facilities and cancellation of programs from the COVID-19 pandemic. A partial opening of select facilities is scheduled for September of 2021 and it is anticipated that the Recreation department will have a \$1.40M favourable variance by year-end.

**Waste** (Actual \$6.15M – Budget \$6.39M = Variance \$0.24M)

Favourable variance due to the receipt of higher revenue from Waste Diversion Ontario (WDO).

**Commissioner's Office** (Actual \$0.07M – Budget \$0.21M = Variance \$0.14M)

Favourable variance due to a year to date average of one temporary net vacancy.

**Corporate Services (Appendix 8)**

<b><u>Department</u></b>	<b><u>YTD July 2021</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
Legislative Services & Corporate Communications	3.43	2.50	\$ (0.93)
Financial Services	1.88	2.28	\$ 0.40
ITS	5.07	5.74	\$ 0.67
Sustainability & Asset Management	1.51	1.77	\$ 0.26
Commissioner's Office	0.22	0.24	\$ 0.02
<b>Net Expense</b>	<b>\$ 12.11</b>	<b>\$ 12.53</b>	<b>\$ 0.42</b>

**Legislative Services & Corporate Communications** (Actual \$3.44M – Budget \$2.50M = Variance (\$0.93M))

Unfavourable variance mainly due to lower volume of parking fines (\$1.78M) (or 44% of YTD budget) and business licenses (\$0.19M) as a result of school and business closures from the COVID-19 pandemic, partially offset by a year-to-date average of five temporary net vacancies \$0.33M and favourability in communications \$0.37M

**Financial Services** (Actual \$1.88M – Budget \$2.28M = Variance \$0.40M)

Favourable variance mainly due to other contracted services \$0.15M, a year-to-date average of three temporary net vacancies \$0.17M, and favourable revenue in finance user fees \$0.11M.

**ITS** (Actual \$5.07M – Budget \$5.74M = Variance \$0.67M)

Favourable variance mainly due to a year-to-date average of three temporary net vacancies \$0.51M and favourable variances in professional services and training \$0.10M.

**Sustainability & Asset Management** (Actual \$1.51M – Budget \$1.77M = Variance \$0.26M)

Favourable variance mainly due to less than budgeted spending in building maintenance, security and janitorial services \$0.12M, and utilities \$0.07M.

**Development Services (Appendix 9)**

<b><u>Department</u></b>	<b><u>YTD July 2021</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
Culture & Economic Development	1.65	2.40	\$ 0.75
Traffic Operations	0.68	1.04	\$ 0.36
Commissioner's Office	1.03	1.12	\$ 0.09
<b>Net Expense</b>	<b>\$ 3.36</b>	<b>\$ 4.56</b>	<b>\$ 1.20</b>

**Culture & Economic Development** (Actual \$1.65M – Budget \$2.40M = Variance \$0.75M)

The favourable variance of \$0.75M consists of \$0.27M favourability in Economic Development and \$0.48M favourability in Culture.

The favourability in Economic Development is mainly due to a year to date average of two temporary net vacancies in Economic Development \$0.18M, and one-time Economic Development federal and provincial grants \$0.09M

The \$0.48M favourable variance in Culture is mainly driven from:

- \$0.25M Museum mainly due to four staff redeployed other departments within the corporation, partially offset by lost revenue due to closure,
- \$0.12M Art Centres mainly due to three staff redeployed to other departments within the corporation, partially offset by lost revenue due to closure,
- \$0.07M Theatre mainly due to five staff redeployed to other departments within the corporation, and savings in professional services, partially offset by unfavourable ticket sales, charges and rentals

It is anticipated that the Culture venues will have \$0.62M favourable variance by year-end.

**Traffic Operations** (Actual \$0.68M – Budget \$1.04M = Variance \$0.36M)

Favourable variance mainly due professional services (school crossing guards) \$0.29M related to the closure of schools from the COVID-19 pandemic.

**Commissioner's Office** (Actual \$1.03M – Budget \$1.12M = Variance \$0.09M)

Favourable variance mainly due a year to date average of two temporary net vacancies.

**Mayor & Council (Appendix 10)**

<u>Department</u>	<u>YTD July 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Mayor & Council	\$ 1.58	\$ 1.77	\$ 0.18
<b>Net Expense</b>	<b>\$ 1.58</b>	<b>\$ 1.77</b>	<b>\$ 0.18</b>

Mayor & Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel and Councillor discretionary budgets. The YTD variance is due to Councillor discretionary budgets.

**Corporate Items (Appendix 11)**

<u>Department</u>	<u>YTD July 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	\$(133.35)	\$(130.22)	\$ 3.12
<b>Net Revenue</b>	<b>\$(133.35)</b>	<b>\$(130.22)</b>	<b>\$ 3.12</b>

Favourable variance mainly due to property tax penalty and interest \$1.18M from higher than average tax accounts in arrears net of approved property tax deferrals (as of July 29<sup>th</sup>, the City has approved 148 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program).

At the end of July 2021 there were 11,564 properties in arrears which is 35% reduction compared to July 2020. Staff are forecasting approximately 7,000 properties in arrears by year-end which would be similar to 2017-2019 pre-pandemic levels

Other drivers for the favourable variance include lower than budgeted corporate contingency of \$0.60M, utilities and streetlight hydro budgeted savings \$0.32M and investment income favourability of \$0.23M from a lower interest rate \$0.01M offset by a higher portfolio balance of \$0.24M. It is anticipated that investment income will be favourable by \$0.30M to budget by year-end.

## **2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS (excl. winter maintenance)**

At the end of July, the actual operating results excluding winter maintenance, against budget netted a favourable variance of \$10.65M and the breakdown is as follows:

### **REVENUES**

**At the end of July, revenues totalled \$174.23M against a budget of \$190.13M resulting in an unfavourable variance of \$15.90M or 91.6% of the year-to-date budget.**

<b><u>Revenues</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Fav./(Unfav.)</u></b>
Property Taxation Revenues	\$ 151.00 M	\$ 151.00 M	(\$ 0.00 M)
General Revenues	\$ 15.05 M	\$ 14.87 M	\$ 0.18 M
User Fees & Service Charges	\$ 3.12 M	\$ 19.76 M	(\$ 16.64 M)
Grant & Subsidy Revenues	\$ 1.34 M	\$ 0.94 M	\$ 0.40 M
Other Income	\$ 3.72 M	\$ 3.56 M	\$ 0.16 M
<b>Net Variance</b>	<b>\$ 174.23 M</b>	<b>\$ 190.13 M</b>	<b>(\$ 15.90 M)</b>

**Property Taxation Revenues** (Actual \$151.00M – Budget \$151.00M= Variance (\$0.00M))

Property taxation revenue YTD budget includes property tax levy.

**General Revenues** (Actual \$15.05M – Budget \$14.87M = Variance \$0.18M)

The general revenues YTD budget of \$14.87M includes investment income (budget \$8.31M), property tax penalty and interest (budget \$2.82M), parking fines (budget \$2.12M) and business, taxi, marriage and other licenses (budget \$1.60M).

General revenues also include Alectra interest and dividends (YTD budget \$1.94M) with a corresponding transfer to the Life Cycle Replacement and Capital Reserve Fund. At year-end, a net \$1.00M is retained in the Operating Budget from Alectra interest and dividends.

YTD general revenues totaled \$15.05M at the end of July against a YTD budget of \$14.87M. The main drivers for the favourable variance of \$0.18M are mainly due to property tax penalty and interest \$1.18M from higher than average tax accounts in arrears

net of approved property tax deferrals (as of July 29<sup>th</sup>, the City has approved 148 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program), and investment income favourability of \$0.23M from a lower interest rate \$0.01M offset by a higher portfolio balance of \$0.24M, offset by lower volume of parking fines (\$1.18M) as a result of school and business closures from the COVID-19 pandemic.

**User Fees and Service Charges** (Actual \$3.12M – Budget \$19.76M= Variance (\$16.64M))

The user fees and services charges YTD budget of \$19.76M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$13.65M), and facility rentals for arenas, pools, gym and halls (budget \$6.11M).

User fees and service charges were unfavourable by (\$16.64M), the main drivers of which were unfavourable Recreation user fees and rentals (\$13.71M) and Theatre, Museum and Arts Centres user fees and rentals (\$2.38M) due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

**Grants & Subsidy Revenues** (Actual \$1.34M – Budget \$0.94M = Variance \$0.40M)

The YTD budget includes Provincial and Federal grants of \$0.94M. The favourable variance of \$0.40M resulted from the receipt of one-time federal and provincial grants.

**Other Income** (Actual \$3.72M – Budget \$3.56M = Variance \$0.16M)

The favourable variance of \$0.16M is mainly due to financial administrative fee on development agreements (\$0.11M) and other smaller variances under \$0.05M.

## **PERSONNEL EXPENDITURES**

**At the end of July, personnel expenditures were favourable by \$17.96M or spending of 78.1% of the year-to-date budget.**

<b><u>Personnel</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Fav./Unfav.)</u></b>
Full time net of vacancy backfills and part time salaries	\$ 62.57 M	\$ 81.06 M	\$ 18.49 M
Overtime and other personnel costs	\$ 1.64 M	\$ 1.11 M	(\$ 0.53 M)
<b>Total</b>	<b>\$ 64.21 M</b>	<b>\$ 82.17 M</b>	<b>\$ 17.96 M</b>

At the end of July, there were 54 net temporary vacancies (compared to 34 net temporary vacancies in July 2020) resulting in a favourable variance of \$7.73M. The main drivers of the difference of 20 net vacancies year over year come from Recreation (11) and Library (4) vacancies not backfilled due to closures, and Fire (7) vacancies from approved Leave of Absences to be backfilled in August.

There were also part-time savings of \$11.04M. This was partially offset by full year budgeted salary gapping of (\$0.28M) netting a favourable variance of \$18.49M.

Overtime and other personnel costs were unfavourable by (\$0.53M) mainly driven by Fire overtime.

### **NON-PERSONNEL EXPENDITURES**

**At the end of July, non-personnel expenditures were favourable by \$8.59M or spending of 85.4% of the year-to-date budget.**

<b><u>Non Personnel Items</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Fav./(Unfav.)</u></b>
Materials & Supplies	\$ 2.22 M	\$ 3.51 M	\$ 1.29 M
Procured Services	\$ 18.09 M	\$ 24.96 M	\$ 6.87 M
Transfers to Reserves	\$ 28.92 M	\$ 28.69 M	(\$ 0.23 M)
Other Expenditures	\$ 1.19 M	\$ 1.85 M	\$ 0.66 M
<b>Total</b>	<b>\$ 50.42 M</b>	<b>\$ 59.01 M</b>	<b>\$ 8.59 M</b>

**Materials & Supplies** (Actual \$2.22M – Budget \$3.51M = Variance \$1.29M)

Materials & supplies YTD budget of \$3.51M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$1.66M), vehicle supplies such as fuel and repair parts (budget \$1.08M), and printing and office supplies (budget \$0.31M).

The favourable variance of \$1.29M is primarily due to operating materials and supplies \$0.97M (eg. building, program, education, and pool supplies), printing and office supplies \$0.11M and vehicle fuel (gas and diesel) and parts \$0.05M.

**Procured Services** (Actual \$18.09M – Budget \$24.96M = Variance \$6.87M)

Procured services YTD budget of \$24.96M includes utilities and streetlight hydro (budget \$6.31M), waste collection (budget \$8.11M), maintenance & repairs of City assets (budget \$3.30M), insurance (budget \$1.54M), and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.79M).

Procured Services were favourable \$6.87M primarily due to:

- \$1.19M favourable in professional fees, training, school crossing guards, and travel (excl. office supplies which is included under materials & supplies)
- \$2.12M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities from the COVID-19 pandemic
- \$0.90M favourable in maintenance and repairs (streetlight and facility maintenance)
- \$1.01M contract service agreements (facility maintenance contracts)
- \$0.45M promotion and advertising

**Transfers to Reserves** (Actual \$28.92M – Budget \$28.69M = Variance (\$0.23M))

The majority of funds are transferred to the Life Cycle and Capital Reserve Fund.

**Other Expenditures** (Actual \$1.19M – Budget \$1.85M = Variance \$0.66M)

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Other expenditures YTD budget of \$0.76M includes contingency expense and non-personnel ramp ups \$0.60M and property tax adjustments \$0.48M. Year to date variance of \$0.66M is mainly due to lower corporate contingency expenditures of \$0.60M.

### **3. YEAR-END PROJECTION INCLUDING YEAR-END ACCOUNTING ACCRUALS AND OTHER ADJUSTMENTS**

**Winter Maintenance Operations is projected to be favourable at year-end between \$2.30M to \$2.92M**

Winter maintenance operations is projected to be favourable to budget by year-end between \$2.30M to \$2.92M using an assumption of 40%-80% unfavourability for the last six weeks of the year. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

**Recreation, Culture, and Library are collectively projected to be favourable at year-end by \$5.38M**

In response to the circumstances resulting from the ongoing COVID-19 pandemic in 2020, staff have implemented several efficiency measures including the closure of community centres, public libraries and all culture venues which will result in projected year-end surpluses in Recreation for \$1.40M (\$21.80M unfavourable in revenue offset by \$23.20M favourable in expense), Library for \$3.35M (\$0.84M unfavourable in revenue, offset by \$4.19M favourable in expense), Museum \$0.41M, Art Centres \$0.18M, and Theatre \$0.03M (\$3.79M unfavourable in revenue, offset by \$4.42M favourable in expense across the three venues). The projections include a partial re-opening plan for Recreation community centres and public libraries commencing in September of 2021. The projected favourable variance for Recreation, Culture, and Library collectively is \$5.38M. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

**The City has/will receive a total of \$18.47M in safe-restart funding and COVID-19 Recovery funding. By the end of 2021, \$9.47M will be allocated with the remaining balance of \$9.00M to be allocated in 2022 and 2023.**

The City received Phases 1 and 2 safe-restart funding totaling \$9.47M in 2020, and will receive an additional \$9.00M as part of the 2021 Provincial COVID-19 Recovery Funding for Municipalities this year (Total of \$18.47M). In 2020, the City utilized \$5.74M of the received funding to mitigate Recreation, Culture, and other COVID related impacts, as well as provide a provision for future tax appeals. For 2021, staff will be utilizing \$3.73M of the available funding to mitigate the loss of revenue in Recreation and Culture as well as other COVID impacts with the remaining available balance of \$9.00M to be utilized in 2022-2023.

The exhibit below outlines the funding received since 2020 and how the funding has been and will be utilized in future years:

**Safe Restart and COVID-19 Recovery Funding Availability**

	2020	2021	2022	Total
<b>Funding Received</b>				
Safe Restart Agreement Phase 1 Allocation	6,657,700			6,657,700
Safe Restart Agreement Phase 2 Allocation	2,815,000			2,815,000
2021 Provincial COVID-19 Recovery Funding for Municipalities		8,994,111	-	8,994,111
	<b>9,472,700</b>	<b>8,994,111</b>	<b>-</b>	<b>18,466,811</b>
<b>Use or Proposed Use of Funding</b>				
Recreation, Culture, and Other COVID impacts	4,447,700	3,725,000		8,172,700
Provision for future tax appeals	1,300,000			1,300,000
Recreation re-opening plan			1,200,000	1,200,000
COVID Recovery funding to address 2022/23 budget issues			7,794,111	7,794,111
	<b>5,747,700</b>	<b>3,725,000</b>	<b>8,994,111</b>	<b>18,466,811</b>

**Primary Operating budget is projected to be favourable at year-end between \$8.30M to \$9.30M**

Based on current information, staff are forecasting a year-end surplus in the primary operating budget to be within a range to \$8.30M to \$9.30M.

In addition, each year, there are non-COVID related items, which potentially generate a surplus at year-end. These items include corporate contingency, salary gapping and investment income.

Any surplus will be transferred to reserves as per the Council approved policy:

- a. Corporate Rate Stabilization Reserve to top up to a level equivalent to 15% of local tax levies
- b. Remaining, if any, to the Life Cycle Replacement and Capital Reserve Fund

There are several one-time items contributing to the City's 2021 Primary operating budget year-end projection of \$8.30M to \$9.30M. These items are revenue or expense variances either due to the COVID-19 pandemic or for other reason as listed below. In some cases, budgets will be adjusted in the 2022 budget where needed:

- \$3.19M favourable in corporate contingency (Budget \$3.19M, 1.3% of the City's Operating Budget of \$244.38M)
- \$3.18M favourable in non-personnel (\$2.28M) and revenue (\$0.90M) expense primarily due to one-time cost reduction measures implemented across departments
- \$2.73M favourable in personnel expenditures primarily due to 18 temporary net vacancies or 21 gross vacancies (out of the total tax funded full-time complement of 916, or 1.9% of the full-time complement) generating a surplus due to vacant positions or backfills at lower than budgeted amounts
- \$1.98M favourable in penalty and interest due to higher than anticipated overdue property tax payments (2022 budget to be adjusted based on pre-COVID levels)

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- \$0.56M favourable in Operations personnel, mainly in Parks, resulting from delayed onboarding of both redeployed staff and external seasonal staff and fewer actual seasonal staff hires in 2021
  - \$0.56M favourable in Waste due to increased WDO revenue (until 2024)
  - \$0.30M favourable in investment income
  - \$0.27M favourable in school crossing guard savings
  - (\$3.19M) unfavourable in Legislative Services revenue primarily due to reduced parking fines from school closures and event cancellations (\$1.68M), lower volume of business licenses, tow truck and taxi licenses (\$0.57M), and net advertising and sponsorship revenue (\$0.30M)
  - (\$1.00M) unfavourable variance due to COVID related expenses
  - (\$0.80M) unfavourable in supplementary taxes from delays in construction timelines
  - (\$0.29M) unfavourable in Parks revenue primarily due to closure of sports fields in first half of the year
  - (\$0.17M) unfavourable variance due to year-end accounting accruals and other adjustments

Total: \$7.32M

Historically over the past 5 years (2015-2019), the City's Primary Operating budget (day-to-day operations) has had a year-end surplus ranging from \$3.04M to \$5.60M (1.2 % to 2.3% of the City's Operating Budget of \$244.38M)

Based on the projected year-end surplus between \$8.30M to \$9.30M (excluding Rec, Culture, Library, winter maintenance and 2021 grant allocation), adjusting for the above items totaling \$7.32M as well the transfer to the Corporate Rate Stabilization Reserve of approximately \$0.91M in order to maintain it at 15% of the local tax levy, the City's remaining projected surplus will be minimal.

### **Planning & Design (Appendix 2)**

<b>Actual \$4.23M – Budget \$3.67M = Favourable variance \$0.56M</b>
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At the end of July, the Planning department had a surplus of \$4.23M against a budgeted surplus of \$3.67M. The favourable variance of \$0.56M was mainly due to full time salaries favourability of \$0.54M due to a year-to-date average of three temporary net vacancies.

#### ***Year-End Projection:***

Planning & Design is projecting a year-end surplus of \$4.22M compared to a budgeted surplus of \$3.22M. This will result in an additional transfer to reserve of \$1.00M. The variance is primarily the result of personnel favourability from the continuation of 3 net average vacancies and lower than budgeted backfills of planning staff through to year-end.

### **Engineering (Appendix 3)**

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<b>Actual \$8.39M – Budget \$1.90M = Favourable variance \$6.49M</b>
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At the end of July, the Engineering Department had a surplus of \$8.39M against a budgeted deficit of \$1.90M. The favourable variance of \$6.49M was mainly due to higher than budgeted Engineering fees.

***Year-End Projection:***

Engineering is projecting a year-end surplus of \$9.95M compared to a budgeted surplus of \$0.00M. This will result in an additional transfer to reserve of \$9.95M. The variance is due to higher than expected Engineering revenues (\$9.50M) and favourability in personnel (\$0.37M), from the continuation of 4 net average vacancies through to year-end. Favourability in Engineering revenues was a result of unanticipated Engineering Fees collected, in particular, from the following major developments:

- \$1.5M from various FUA developments (previously anticipated to come in 2023)
- \$2.7M from the York Downs development (previously anticipated to come in 2022)
- \$1.4M from the Lindwide Cornell Development (previously anticipated to come in 2022)

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a surplus position of \$23.1M at year-end (see Appendix 4).

**Building Standards (Appendix 5)**

<b>Actual \$1.90M – Budget \$1.16M = Favourable variance \$0.74M</b>
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At the end of July, the Building Standards department had a surplus of \$1.90M against a budgeted surplus of \$1.16M. The favourable variance of \$0.74M was mainly due to higher building permit fees received and full time salaries favourability of \$0.26M due to a year-to-date average of two temporary net vacancies.

***Year-End Projection:***

Building is projecting a year-end surplus of \$1.90M compared to a budgeted surplus of \$1.55M. This will result in an additional transfer to reserve of \$0.35M. The variance is due to favourability in personnel, from the continuation of 2 net average vacancies through to year-end.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$8.25M at year-end (see Appendix 6).

**Waterworks (Appendix 7)**

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<b>Actual \$8.00M – Budget \$7.81M = Favourable variance \$0.18M</b>
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At the end of July, the Waterworks department had a surplus of \$8.00M against a budgeted surplus of \$7.81M. The main drivers for the favourable variance of \$0.18M were as follows:

- Higher purchase of water (\$4.15M) is offset partially by higher sale of water \$3.03M, resulting in net sales and purchase of (\$1.12M). Year-to-date June average actual non-revenue water was 13.4% (NRW budgeted at 11%).
- Lower non-personnel costs resulting in a favourable variance of \$0.89M due to lower operating and water, sewer and roadwork materials and supplies cost

Lower personnel costs resulting in a favourable variance of \$0.38M due to temporary vacancies

***Year-End Projection:***

Waterworks is projected to be on budget for year-end and will result in the transfer to reserve of \$16.15M. The favourable variance in personnel and non-personnel expenditures is anticipated to be offset by unfavourable variance in net sales and purchase of water.

This is independent of maintaining the 2021 water rate at 2019 levels.

The Waterworks reserve balance is projected to be \$74.47M at year-end (see Appendix 8).

**FINANCIAL CONSIDERATIONS**

The primary operating budget results are trending favourably based on a mild winter and measures implemented to offset the impacts due to COVID-19. Staff will continue to monitor the results of operations on a monthly basis. The next report will be in November and will include Sept YTD results of operations and a year-end projection.

**HUMAN RESOURCES CONSIDERATIONS**

Not applicable

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not applicable

**BUSINESS UNITS CONSULTED AND AFFECTED:**

All impacted business units were consulted in the preparation of this report.

**RECOMMENDED BY:**

Joel Lustig  
Treasurer

Trinela Cane  
Commissioner Corporate Services

**ATTACHMENTS:**  
**[Appendices 1 to 14:](#)**

Appendix 1 – Primary Operating Budget - Financial Results for the Seven Months Ended July 31, 2021

Appendix 2 – Planning & Design Operating Budget - Financial Results for the Seven Months Ended July 31, 2021

Appendix 3 – Engineering Operating Budget - Financial Results for the Seven Months Ended July 31, 2021

Appendix 4 – Planning & Engineering Development Fee Reserve Balance as at July 31, 2021

Appendix 5 – Building Standards Operating Budget - Financial Results for the Seven Months Ended July 31, 2021

Appendix 6 – Building Fee Reserve Balance as at July 31, 2021

Appendix 7 – Waterworks Operating Budget - Financial Results for the Seven Months Ended July 31, 2021

Appendix 8 – Waterworks Reserve Balance as at July 31, 2021

Appendix 9 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – CAO’s Office, Human Resources and Legal Department

Appendix 10 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – Community and Fire Services

Appendix 11 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – Corporate Services

Appendix 12 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – Development Services

Appendix 13 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – Mayor & Council

Appendix 14 – Variances by Commission and Department for the Seven Months ended July 31, 2021 – Corporate Items