



Report to: General Committee

Meeting Date: November 29, 2021

SUBJECT: 2021 October Year-To-Date Results of Operations and Year-End Forecast
PREPARED BY: Jay Pak, Manager, Budgets
Lisa Chen, Senior Manager Financial Planning and Reporting

RECOMMENDATION:

- 1) THAT the report titled “2021 October 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 October 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.

A. Primary Operating Budget - Year-to-date October 2021 (Appendix 1)

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

<p>October 2021 YTD favourable variance excluding Recreation, Culture, Library and winter maintenance is \$7.50M</p>

(\$ in millions)	2021		Variance	% of
	Actual	Budget	fav/(unfav.)	Budget
Revenues	208.61	207.36	1.25	101.4%
Expenses	<u>143.38</u>	<u>149.63</u>	<u>6.25</u>	96.9%
Total excluding Recreationm, Culture, Library and Winter Maintenance	65.23	57.73	7.50	A
Recreation	6.02	6.99	0.97	
Culture	1.21	1.84	0.63	
Library	<u>8.00</u>	<u>11.50</u>	<u>3.50</u>	
Sub-total Recreation, Culture, and Library	<u>15.23</u>	<u>20.33</u>	<u>5.10</u>	B
Day-to-day Operations	50.00	37.40	12.60	C=A+B
Winter Maintenance	<u>4.38</u>	<u>7.89</u>	<u>3.51</u>	D
Net surplus including winter maintenance	<u>45.62</u>	<u>29.51</u>	<u>16.11</u>	E=C+D

City's favourable variance including Recreation, Culture, and Library (excluding winter maintenance) is \$12.60M

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Recreation Services revenue	(\$19.07) M	Salaries & benefits	\$22.36 M
Theatre, Art Centre and Museum revenue	(\$3.31) M	Utilities and Streetlight hydro	\$3.52 M
Parking fines	(\$1.42) M	Professional services/ office supplies/ training/ travel	\$2.11 M
Library revenue	(\$0.75) M	Operating materials & supplies	\$1.28 M
Financial administrative & Legal fees	(\$0.03) M	Contract service agreements	\$1.24 M
Licenses & Permits	(\$0.27) M	Maintenance & repairs	\$1.06 M
Investment income	\$0.30 M	Corporate Contingency	\$0.87 M
Federal and Provincial grants	\$0.73 M	Municipal Contracted Services	\$0.71 M
Property tax penalty and interest	\$2.00 M	Communications & Programs	\$0.65 M
		Promotion & advertising	\$0.34 M
		Credit Card Service Charges	\$0.27 M
Other	\$0.04 M	Other	(\$0.04) M
Total	(\$21.78) M	Total	\$34.37 M

Winter Maintenance

The 2021 actual winter maintenance expenditures at the end of the October totaled \$4.38M against a budget of \$7.89M, resulting in a favourable variance of \$3.51M.

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 \$6.28M

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 \$1.70M (\$20.70M unfavourable in revenues offset by \$22.40M favourable in expenses), Library is a surplus of \$3.92M (\$0.82M unfavourable in revenues, offset by \$4.74M favourable in expenses), Museum \$0.50M, Art Centres \$0.18M, and Theatre (\$0.03M) (\$3.78M unfavourable in revenues, offset by \$4.43M 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 \$6.28M. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

The City has received 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 received 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 \$9.30M to \$10.30M

Based on current information, staff are forecasting a year-end favourable variance in the primary operating budget between \$9.30M to \$10.30M. This represents a \$1.0M increase from the previous forecast primarily driven by:

- \$0.8M favourability from the deferral of the new waste contract to March 2022
- \$0.5M in additional salary gapping
- (\$0.2M) offsetting reduction in Operations personnel savings

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- (\$0.1M) offsetting reduction in non-personnel savings

The forecast includes revenue impacts from the COVID-19 pandemic (excluding Recreation, Culture, Library, winter maintenance, and 2021 grant allocation) 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 \$3.5M to \$4.5M by year-end
- Non-Personnel savings from reduced discretionary expenditures & program-related costs resulting in anticipated savings of \$6.3M to \$6.8M 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.

B. Planning & Design (Appendix 2)

Actual \$7.66M – Budget \$3.49M = YTD Favourable variance of \$4.17M

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$8.18M compared to a budgeted surplus of \$3.22M. This will result in an additional transfer to reserve of \$4.96M. The variance is primarily the result of higher than expected Planning revenues (\$3.92M) resulting from higher than anticipated development activity and personnel favourability from the continuation of 2 net average vacancies and lower than budgeted backfills of planning staff through to year-end.

C. Engineering (Appendix 3)

Actual \$11.03M – Budget \$1.02M = YTD Favourable variance \$10.01M

Year-End Projection:

Engineering is projecting a year-end surplus of \$11.26M compared to a budgeted surplus of \$0.00M. This will result in an additional transfer to reserve of \$11.26M. The variance is due to higher than expected Engineering revenues (\$10.80M) and favourability in personnel (\$0.39M), from the continuation of 3 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 \$28.3M at year-end (see Appendix 4).

D. Building Standards (Appendix 5)

Actual \$5.83M – Budget \$1.59M = YTD Favourable variance \$4.24M

Year-End Projection:

Building is projecting a year-end surplus of \$5.99M compared to a budgeted surplus of \$1.55M. This will result in an additional transfer to reserve of \$4.44M. The variance is due to higher than expected Building revenues resulting from increased development activity and favourability in personnel, from the continuation of 3 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 \$12.38M at year-end (see Appendix 6).

E. Waterworks (Appendix 7)

Actual \$15.13M – Budget \$13.65M = YTD Favourable variance \$1.49M

Year-End Projection:

Waterworks is projected to be favourable to budget by \$1.44M, resulting in the transfer to reserve from the budget of \$16.15M to \$17.59M. The favourable variance is driven by lower personnel and non-personnel expenditures.

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

The Waterworks reserve balance is projected to be \$75.91M 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 October 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. Primary operating budget by Commission/Department; and
Primary operating budget by major accounts

OPTIONS/ DISCUSSION:

A. Primary Operating Budget

1. PRIMARY OPERATING BUDGET BY COMMISSION / DEPARTMENT

Net results (revenues – expenses) for the ten months ended October 31, 2021 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 9 to 14.

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

<u>Commission</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources, Fire and Legal	\$ 37.41	\$ 38.13	\$ 0.72
Community Services (excl. winter maintenance)	\$ 45.07	\$ 51.07	\$ 6.00
Corporate Services	\$ 17.97	\$ 17.83	\$ (0.14)
Development Services	\$ 4.48	\$ 6.35	\$ 1.87
Mayor & Council	\$ 2.20	\$ 2.47	\$ 0.27
Corporate Items	\$(157.09)	\$(153.22)	\$ 3.87
<u>Net Expense/ (Revenue)</u>	<u>\$ (49.96)</u>	<u>\$ (37.36)</u>	<u>\$ 12.60</u>

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 9)

<u>Department</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.53	0.69	\$ 0.16
Human Resources	2.06	2.50	\$ 0.44
Fire Services	33.47	33.26	\$ (0.21)
Legal	1.35	1.68	\$ 0.33
Net Expense	\$ 37.41	\$ 38.13	\$ 0.72

CAO'S Office (Actual \$0.53M – Budget \$0.69M = Variance \$0.16M)
Favourable variance of \$0.16M is mainly due to a year-to-date average of one temporary net vacancy.

Human Resources (Actual \$2.06M – Budget \$2.50M = Variance \$0.44M)
Favourable variance of \$0.44M is mainly due to a year-to-date average of three temporary net vacancies and favourability in training expenses.

Legal Services (Actual \$1.35M – Budget \$1.168M = Variance \$0.33M)
Favourable variance mainly due to timing in legal services \$0.14M and favourability in service charges \$0.16M.

Community Services – excluding winter maintenance (Appendix 10)

<u>Department</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	21.27	21.71	\$ 0.44
Library	8.00	11.50	\$ 3.50
Recreation Services	6.02	6.99	\$ 0.97
Environmental Services	0.69	0.79	\$ 0.10
Waste	8.89	9.71	\$ 0.82
Commissioner's Office	0.20	0.37	\$ 0.17
Net Expense	\$ 45.07	\$ 51.07	\$ 6.00

Operations (Actual \$21.27M – Budget \$21.71M = Variance \$0.44M)
Favourable variance mainly due to a year-to-date average of ten temporary net vacancies for \$0.27M, utility locates \$0.11M, vehicle supplies \$0.10M and road occupancy permits revenue for \$0.19M, partially offset by unfavourability in sport fields revenue from park closures (\$0.26M).

Library (Actual \$8.00M – Budget \$11.50M = Variance \$3.50M)
Favourable variance mainly due to part-time savings \$3.56M, year-to-date average of ten temporary net vacancies for \$0.37M offset by lost fine and program revenue of (\$0.75M) 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 \$3.92M favourable variance by year-end.

Recreation Services (Actual \$6.02M – Budget \$6.99M = Variance \$0.97M)

Unfavourable variances in ice, gym, pool and soccer rentals totaling (\$5.70M), spring aquatic and program registration fees totaling (\$7.96M), fitness programs (\$2.24M), and camps (\$2.50M) partially offset by part-time savings \$7.87M, full time savings \$5.87M from redeployments and temporary layoffs and gapping (65 as of October), utilities \$2.51M, facility maintenance \$0.96M, operating materials and supplies \$0.97M and contracted services \$0.85M. 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 \$8.89M – Budget \$9.71M = Variance \$0.82M)

Favourable variance due to the receipt of higher revenue from Waste Diversion Ontario (WDO) and deferral of the new waste contract to February 2022.

Commissioner's Office (Actual \$0.20M – Budget \$0.37M = Variance \$0.17M)

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

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Oct 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services & Corporate			
Communications	5.44	3.67	\$ (1.77)
Financial Services	2.86	3.47	\$ 0.61
ITS	7.06	7.82	\$ 0.76
Sustainability & Asset Management	2.29	2.52	\$ 0.23
Commissioner's Office	0.32	0.35	\$ 0.03
Net Expense	\$ 17.97	\$ 17.83	\$ (0.14)

Legislative Services & Corporate Communications (Actual \$5.44M – Budget \$3.67M = Variance (\$1.77M))

Unfavourable variance mainly due to lower volume of parking fines (\$1.42M) (or 43% of YTD budget) and business licenses (\$0.39M) 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 \$0.26M.

Financial Services (Actual \$2.86M – Budget \$3.47M = Variance \$0.61M)

Favourable variance mainly due to other contracted services \$0.21M, a year-to-date average of three temporary net vacancies \$0.19M, and favourable revenue in finance user fees \$0.12M.

ITS (Actual \$7.06M – Budget \$7.82M = Variance \$0.76M)

Favourable variance mainly due to a year-to-date average of three temporary net vacancies \$0.59M and favourable variances in communications and training \$0.07M.

Sustainability & Asset Management (Actual \$2.29M – Budget \$2.52M = Variance \$0.23M)

Favourable variance mainly due to less than budgeted spending in building maintenance, security and janitorial services \$0.14M, and utilities \$0.08M.

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	2.08	3.30	\$ 1.22
Traffic Operations	1.01	1.45	\$ 0.44
Commissioner's Office	1.39	1.60	\$ 0.21
Net Expense	\$ 4.48	\$ 6.35	\$ 1.87

Culture & Economic Development (Actual \$2.08M – Budget \$3.30M = Variance \$1.22M)

The favourable variance of \$1.22M consists of \$0.59M favourability in Economic Development and \$0.63M 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 \$0.30M, and one-time Economic Development federal and provincial grants \$0.21M.

The \$0.63M favourable variance in Culture is mainly driven from:

- \$0.33M Museum mainly due to four staff redeployed other departments within the corporation, partially offset by lost revenue due to closure,
- \$0.15M Art Centres mainly due to three staff redeployed to other departments within the corporation, partially offset by lost revenue due to closure,
- \$0.11M 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 \$0.66M favourable variance by year-end.

Traffic Operations (Actual \$1.01M – Budget \$1.45M = Variance \$0.44M)

Favourable variance mainly due professional services (school crossing guards) \$0.31M related to the closure of schools from the COVID-19 pandemic.

Commissioner's Office (Actual \$1.39M – Budget \$1.60M = Variance \$0.21M)

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

Mayor & Council (Appendix 13)

<u>Department</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Mayor & Council	\$ 2.20	\$ 2.47	\$ 0.27
Net Expense	\$ 2.20	\$ 2.47	\$ 0.27

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 14)

<u>Department</u>	<u>YTD Oct 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	\$(157.09)	\$(153.22)	\$ 3.87
Net Revenue	\$(157.09)	\$(153.22)	\$ 3.87

Favourable variance mainly due to property tax penalty and interest \$2.00M from higher than average tax accounts in arrears net of approved property tax deferrals (as of October 29th, the City has approved 156 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program).

At the end of October 2021 there were 9,700 properties in arrears. 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 \$0.87M, utilities and streetlight hydro budgeted savings \$0.70M. A capital gain of \$1.75M is not reflected in the October YTD results as a decision will be made by year-end to determine where the capital gain will be transferred.

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS (excluding winter maintenance)

At the end of October, the actual operating results excluding winter maintenance, against budget netted a favourable variance of \$12.60M and the breakdown is as follows:

REVENUES

At the end of October, revenues totalled \$212.33M against a budget of \$234.11M resulting in an unfavourable variance of \$21.78M or 90.7% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 167.84 M	\$ 167.90 M	(\$ 0.06 M)
General Revenues	\$ 31.47 M	\$ 31.10M	\$ 0.37 M
User Fees & Service Charges	\$ 6.27 M	\$ 29.04 M	(\$ 22.77 M)
Grant & Subsidy Revenues	\$ 2.03 M	\$ 1.30 M	\$ 0.73 M
Other Income	\$ 4.72 M	\$ 4.77 M	(\$ 0.05 M)
Net Variance	\$ 212.33 M	\$ 234.11 M	(\$ 21.78 M)

Property Taxation Revenues (Actual \$167.84M – Budget \$167.90M= Variance (\$0.06M))

Property taxation revenue YTD budget includes property tax levy.

General Revenues (Actual \$31.47M – Budget \$31.10M = Variance \$0.37M)

The general revenues YTD budget of \$31.10M includes investment income (budget \$9.13M), property tax penalty and interest (budget \$3.74M), parking fines (budget \$2.87M) and business, taxi, marriage and other licenses (budget \$2.12M).

General revenues also include Alectra interest and dividends (YTD budget \$13.21M) 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 \$31.47M at the end of October against a YTD budget of \$31.10M. The main drivers for the favourable variance of \$0.37M are mainly due to property tax penalty and interest \$2.00M from higher than average tax accounts in arrears net of approved property tax deferrals (as of October 29th, the City has approved 156 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program), offset by lower volume of parking fines (\$1.42M) as a result of school and business closures from the COVID-19 pandemic.

User Fees and Service Charges (Actual \$6.27M – Budget \$29.04M = Variance (\$22.77M))

The user fees and services charges YTD budget of \$29.04M 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 \$19.63M), and facility rentals for arenas, pools, gym and halls (budget \$8.83M).

User fees and service charges were unfavourable by (\$22.77M), the main drivers of which were unfavourable Recreation user fees and rentals (\$18.77M) and Theatre,

Museum and Arts Centres user fees and rentals (\$3.11M) due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$2.03M – Budget \$1.30M = Variance \$0.73M)

The YTD budget includes Provincial and Federal grants of \$1.29M. The favourable variance of \$0.73M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$4.72M – Budget \$4.77M = Variance (\$0.05M))

The unfavourable variance of (\$0.05M) is mainly due to smaller variances under \$0.05M.

PERSONNEL EXPENDITURES

At the end of October, personnel expenditures were favourable by \$22.36M or spending of 80.6% of the year-to-date budget.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 90.10 M	\$ 114.3 M	\$ 24.20 M
Overtime and other personnel costs	\$ 2.53 M	\$ 0.69 M	(\$ 1.84 M)
Total	\$ 92.63 M	\$ 114.99 M	\$ 22.36 M

At the end of October, there were 62 net temporary vacancies (compared to 48 net temporary vacancies in October 2020) resulting in a favourable variance of \$10.00M. The main drivers of the difference of 14 net vacancies year over year come from Recreation (12) and Fire (8) vacancies from approved Leave of Absences and retirements.

There were also part-time savings of \$14.58M. This was partially offset by full year budgeted salary gapping of (\$0.38M) netting a favourable variance of \$24.20M.

Overtime and other personnel costs were unfavourable by (\$1.84M) mainly driven by Fire overtime.

NON-PERSONNEL EXPENDITURES

At the end of October, non-personnel expenditures were favourable by \$12.02M or spending of 85.3% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 3.36 M	\$ 5.06 M	\$ 1.70 M
Procured Services	\$ 25.54 M	\$ 35.20 M	\$ 9.66 M
Transfers to Reserves	\$ 39.34 M	\$ 39.01 M	(\$ 0.33 M)
Other Expenditures	\$ 1.48 M	\$ 2.46 M	\$ 0.99 M
Total	\$ 69.72 M	\$ 81.73 M	\$ 12.02 M

Materials & Supplies (Actual \$3.36M – Budget \$5.06M = Variance \$1.70M)

Materials & supplies YTD budget of \$5.06M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.36M), vehicle supplies such as fuel and repair parts (budget \$1.59M), and printing and office supplies (budget \$0.37M).

The favourable variance of \$1.70M is primarily due to operating materials and supplies \$1.28M (e.g. building, program, education, and pool supplies), printing and office supplies \$0.12M and vehicle fuel (gas and diesel) and parts \$0.06M.

Procured Services (Actual \$25.54M – Budget \$35.20M = Variance \$9.66M)

Procured services YTD budget of \$35.20M includes utilities and streetlight hydro (budget \$9.15M), waste collection (budget \$10.12M), maintenance & repairs of City assets (budget \$4.81M), insurance (budget \$1.77M), and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$2.30M). Procured Services were favourable \$9.66M primarily due to:

- \$1.38M favourable in professional fees, training, school crossing guards, and travel (excl. office supplies which is included under materials & supplies)
- \$3.52M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities from the COVID-19 pandemic
- \$1.06M favourable in maintenance and repairs (streetlight and facility maintenance)
- \$1.24M contract service agreements (facility maintenance contracts)
- \$0.34M promotion and advertising

Transfers to Reserves (Actual \$39.34M – Budget \$39.01M = Variance (\$0.33M))

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

Other Expenditures (Actual \$1.48M – Budget \$2.46M = Variance \$0.99M)

Other expenditures YTD budget of \$2.46M includes contingency expense and non-personnel ramp ups \$1.38M and property tax adjustments \$0.71M. Year to date variance of \$0.99M is mainly due to lower corporate contingency expenditures of \$0.87M.

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

<p>Winter Maintenance Operations is projected to be favourable at year-end between \$2.30M to \$2.92M</p>
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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 \$6.28M

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 \$1.70M (\$20.70M unfavourable in revenue offset by \$22.40M favourable in expense), Library for \$3.92M (\$0.82M unfavourable in revenue, offset by \$4.74M favourable in expense), Museum \$0.50M, Art Centres \$0.18M, and Theatre (\$0.03M) (\$3.78M unfavourable in revenue, offset by \$4.43M favourable in expense across the three venues). The projections include a partial re-opening plan for Recreation community centres and public libraries, as well as limited visitations at the Art Gallery and Museum commencing in September of 2021. The projected favourable variance for Recreation, Culture, and Library collectively is \$6.28M. Any surplus at year-end will be transferred to reserves as per the Council approved policy.

The City has received 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 received 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
Funding Received				
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
	9,472,700	8,994,111	-	18,466,811
Use or Proposed Use of Funding				
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
	5,747,700	3,725,000	8,994,111	18,466,811

<p style="text-align: center;">Primary Operating budget is projected to be favourable at year-end between \$9.30M to \$10.30M</p>
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Based on current information, staff are forecasting a year-end surplus in the primary operating budget to be within a range to \$9.30M to \$10.30M.

In addition, each year, there are non-COVID related items, which potentially generate a surplus at year-end. These items include corporate contingency and salary gapping. 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 \$9.30M to \$10.30M. This represents a \$1.0M increase from the previous forecast primarily driven by:

- \$0.8M favourability from the deferral of the new waste contract to March 2022
- \$0.5M in additional salary gapping
- (\$0.2M) offsetting reduction in Operations personnel savings
- (\$0.1M) offsetting reduction in non-personnel savings

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)
- \$3.07M favourable in non-personnel expense (\$1.92M) and revenue (\$1.15M) primarily due to one-time cost reduction measures implemented across departments
- \$2.93M favourable in personnel expenditures primarily due to 20 temporary net vacancies or 30 gross vacancies (out of the total tax funded full-time complement of 915, or 2.1% of the full-time complement) generating a surplus due to vacant positions or backfills at lower than budgeted amounts
- \$2.00M favourable in penalty and interest due to higher than anticipated overdue property tax payments (2022 budget to be adjusted based on pre-COVID levels)
- \$0.80M favourable in Waste due to the deferral of the new contract to Mar 2022 (originally scheduled to take place in September 2021)
- \$0.33M 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
- \$0.33M favourable in school crossing guard savings

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- (\$3.12M) 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
 - (\$0.47M) unfavourable in supplementary taxes from delays in construction timelines
 - (\$0.42M) 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: \$8.33M

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 \$9.30M to \$10.30M (excluding Rec, Culture, Library, winter maintenance and 2021 grant allocation), adjusting for the above items totaling \$8.33M 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.

B. Planning & Design (Appendix 2)

Actual \$7.66M – Budget \$3.49M = Favourable variance \$4.17M
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At the end of October, the Planning department had a surplus of \$7.66M against a budgeted surplus of \$3.49M. The favourable variance of \$4.17M was mainly due to higher than budgeted planning & design fees of \$3.19M and full time salaries favourability of \$0.93M due to a year-to-date average of three temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$8.18M compared to a budgeted surplus of \$3.22M. This will result in an additional transfer to reserve of \$4.96M. The variance is primarily the result of higher than expected Planning revenues (\$3.92M) resulting from higher than anticipated development activity and personnel favourability from the continuation of 2 net average vacancies and lower than budgeted backfills of planning staff through to year-end.

C. Engineering (Appendix 3)

Actual \$11.03M – Budget \$1.02M = Favourable variance \$10.01M
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At the end of October, the Engineering Department had a surplus of \$11.03M against a budgeted surplus of \$1.02M. The favourable variance of \$10.01M was mainly due to higher than budgeted Engineering fees.

Year-End Projection:

Engineering is projecting a year-end surplus of \$11.26M compared to a budgeted surplus of \$0.00M. This will result in an additional transfer to reserve of \$11.26M. The variance is due to higher than expected Engineering revenues (\$10.80M) and favourability in personnel (\$0.39M), from the continuation of 3 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 \$28.3M at year-end (see Appendix 4).

D. Building Standards (Appendix 5)

Actual \$5.83M – Budget \$1.59M = Favourable variance \$4.24M
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At the end of October, the Building Standards department had a surplus of \$5.83M against a budgeted surplus of \$1.59M. The favourable variance of \$4.24M was mainly due to higher building permit fees received of \$3.90M and full time salaries favourability of \$0.30M due to a year-to-date average of two temporary net vacancies.

Year-End Projection:

Building is projecting a year-end surplus of \$5.99M compared to a budgeted surplus of \$1.55M. This will result in an additional transfer to reserve of \$4.44M. The variance is due to higher than expected Building revenues resulting from increased development activity and favourability in personnel, from the continuation of 3 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 \$12.38M at year-end (see Appendix 6).

E. Waterworks (Appendix 7)

Actual \$15.13M – Budget \$13.65M = Favourable variance \$1.49M
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At the end of October, the Waterworks department had a surplus of \$15.13M against a budgeted surplus of \$13.65M. The main drivers for the favourable variance of \$1.49M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$1.01M due to lower operating and water, sewer and roadwork materials and supplies cost
- Higher purchase of water (\$1.98M) is offset by higher sale of water \$1.67M, resulting in net sales and purchase of (\$0.32M). Year-to-date August average actual non-revenue water was 11.5% (NRW budgeted at 11%).
- Lower personnel costs resulting in a favourable variance of \$0.61M due to temporary vacancies

Year-End Projection:

Waterworks is projected to be favourable to budget by \$1.44M, resulting in the transfer to reserve from the budget of \$16.15M to \$17.59M. The favourable variance is driven by lower personnel and non-personnel expenditures.

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

The Waterworks reserve balance is projected to be \$75.91M 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 Q1 2022 to report on the year-end results of operations for 2021.

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 Ten Months Ended October 31, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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