



Report to: General Committee

Meeting Date: March 21, 2022

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

RECOMMENDATION:

- 1) THAT the report titled “2021 Year-End Review of Operations” be received;
- 2) THAT the City’s 2021 net operations favourable variance be transferred as follows, as per the approved Financial Planning and Budgeting Policy:
 - a. \$0.69M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
 - b. \$3.15M to balance the 2022 Operating Budget
 - c. \$3.15M to the Corporate Rate Stabilization Reserve to provide advance funding for the projected 2023 to 2024 Operating Budget requirements;
 - d. \$0.65M provision for future tax adjustments;
 - e. The remaining \$14.94M to the Life Cycle Capital Replacement and Capital Reserve Fund; and further,
- 3) 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 year-end operating results comparing actuals to the annual operating budget including impacts related to the ongoing COVID-19 pandemic.

A. Primary Operating Budget (Appendix 1)

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

<p>The 2021 year-end favourable variance excluding Recreation, Culture, Library and winter maintenance is \$11.71M</p>

The 2021 overall variance is summarized below:

(\$ in millions)	2021 <u>Actual</u>	<u>Budget</u>	Variance <u>fav./(unfav.)</u>	% of <u>Budget</u>
Revenues	216.85	213.89	2.96	101.4%
Expenses	166.00	173.87	7.87	95.5%
Subtotal	50.85	40.02	10.83	A
Year-End Accounting Accruals & Other Adjustments	1.06	1.94	0.88	B
Total excluding Recreation, Culture, Library, Winter Maintenance and Year-End Adjustments	51.91	41.96	11.71	C=A+B
Recreation	9.21	11.30	2.09	
Culture	1.64	2.18	0.54	
Library	9.93	13.88	3.95	
Subtotal Recreation, Culture, and Library	20.78	27.36	6.58	D
Day-to-Day Operations	72.69	69.32	18.29	E=C+D
Winter Maintenance	6.43	10.72	4.29	F
Net surplus including winter maintenance	79.12	80.04	22.58	G=E+F

The 2021 year-end favourable variance including Recreation, Culture, and Library, excluding winter maintenance, is \$18.29M (\$40.23M less \$21.94M). The major net variances from day-to-day operations are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Recreation Services revenue	(\$20.26)	M	Salaries & benefits	\$26.24	M
Theatre, Art Centre and Museum revenue	(\$3.83)	M	Utilities and streetlight hydro	\$3.80	M
Parking fines	(\$1.48)	M	Corporate contingency	\$3.11	M
Supplementary taxes	(\$0.96)	M	Professional services / office supplies / training / travel	\$2.01	M
Library revenue	(\$0.82)	M	Contract service agreements	\$1.53	M
Licenses & permits	(\$0.18)	M	Operating materials & supplies	\$1.20	M
Property tax penalty and interest	\$2.14	M	Municipal contracted services	\$0.97	M
Covid Relief funding	\$2.00	M	Year-end accruals and other adjustments	\$0.88	M
Waste Diversion Ontario	\$0.57	M	Communications & programs	\$0.72	M
Payments-in-lieu	\$0.14	M	Tax appeals	\$0.42	M
Financial administrative & Legal fees	\$0.10	M	Credit card service charges	\$0.29	M
Other	\$0.64	M	Promotion & advertising	\$0.27	M
			Maintenance & repairs	\$0.60	M
			Pool repairs (COVID Relief funded)	(\$2.00)	M
			Other	\$0.19	M
Total	(\$21.94)	M	Total	\$40.23	M

Recreation, Culture, and Library were collectively favourable at year-end by \$6.58M

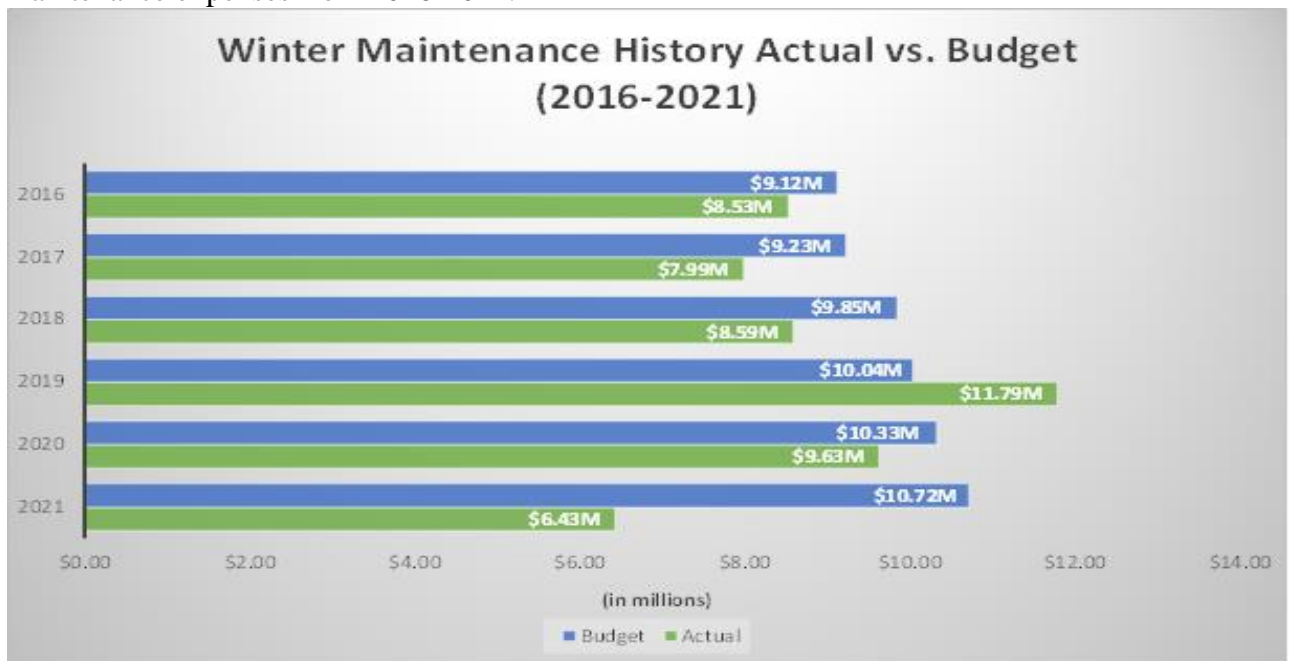
In response to the circumstances resulting from the ongoing COVID-19 pandemic in 2020, staff implemented several efficiency measures including the closure of community centres, public libraries and all culture venues and corresponding redeployment of staff resulted in projected year-end surpluses.

Recreation had a surplus of \$2.09M (\$20.26M unfavourable in revenues offset by \$22.35M favourable in expenses), Library had a surplus of \$3.95M (\$0.82M unfavourable in revenues, offset by \$4.77M favourable in expenses), Museum \$0.51M, Art Centres \$0.05M, Theatre (\$0.09M), and Culture Admin \$0.07M (\$3.83M unfavourable in revenues, offset by \$4.37M favourable in expenses across the three venues). The results include a partial re-opening plan for community centres and libraries that commences in September of 2021. The year-end favourable variance for Recreation, Culture, and Library collectively was \$6.58M. The year-end surplus is transferred to reserves as per the Council approved policy.

Winter maintenance = Favourable variance \$4.29M

The 2021 actual winter maintenance expenditures was \$6.54M against a budget of \$10.72M, resulting in a favourable variance of \$4.29M.

The exhibit below compares the 6 year historical actuals versus budget for winter maintenance expenses from 2016-2021.



As the exhibit above shows, the actuals compared to budget have fluctuated over the past 6 years. In 2021 the actual costs were \$6.43M compared to a budget of \$10.72M. Actual costs were higher than in the period 2016-2021 are impacted by a range of external

factors including, but not limited to, the amount of snowfall and the number of snow events which require City roads to be cleared or salted.

The chart below shows the number of salting events per calendar year for the past 6 years. Note that these do not include plowing or sidewalk clearing events.

Year	Primary Roads	Local Roads	Total
2016	37	10	47
2017	49	9	58
2018	44	8	42
2019	51	17	52
2020	38	13	68
2021	39	10	53
6 Year Average	43	11	53

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;
3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

The following chart provides details of the \$4.29M favourable variance:

Description	Actual	Budget	Variance Fav./(Unfav.)	
			Hours	\$M
Sidewalk (per unit of equipment)	159 hrs	341 hrs	183 hrs	1.06
Tandem (per unit of equipment)	173 hrs	272 hrs	99 hrs	0.51
Graders and windrows (per unit of equipment)	12 hrs	200 hrs	189 hrs	0.87
Loader (per unit of equipment)	26 hrs	145 hrs	119 hrs	0.75
Salt & Sand	12,131 tonnes	20,710 tonnes	8,579 tonnes	1.16
Part-time & overtime costs				(0.24)
Other winter maintenance costs				0.18
Winter maintenance favourable variance				4.29

As costs continue to increase based on growth and contract escalations, staff will continue to monitor the trends to determine whether future adjustments to the winter maintenance budget are necessary.

The City received a total of \$18.47M in safe-restart funding and COVID-19 Recovery funding. By the end of 2021, \$7.74M will be allocated with the remaining balance of \$10.72M 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 \$5.75M 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 utilized \$2.00M of the available funding, with the remaining available balance of \$10.72M to be utilized in 2022 and 2023.

Based on pool repair issues encountered as a result of extended pool closures at Angus Glen and Centennial pool, and anticipated issues at Cornell and Milliken Mills once the facilities re-open, staff are recommending the utilization of \$2M of COVID relief funding to cover current and future repairs once all City pools are re-opened. Staff are working with pool experts to understand how this occurred and how it can be prevented in the future.

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	2022/2023	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	2,000,000	4,440,000	10,887,700
Provision for future tax appeals	1,300,000	-	-	1,300,000
COVID Recovery funding to address 2022/23 budget deficits	-	-	6,279,111	6,279,111
	5,747,700	2,000,000	10,719,111	18,466,811

B. Planning & Design (Appendix 2)

Actual \$7.64M – Budget \$3.22M = Favourable variance \$4.42M

Planning & Design incurred a surplus of \$7.64M against a budgeted surplus of \$3.22M. The favourable variance of \$4.42M was mainly due to a higher than anticipated development activity and personnel favourability from an average of 4 temporary net vacancies and lower than budgeted backfills of planning staff

C. Engineering (Appendix 3)

Actual \$11.43M – Budget \$0.00M = Favourable variance \$11.43M

Engineering incurred a surplus of \$11.43M compared to a budgeted surplus of \$0.00M. The variance is due to higher than expected Engineering revenues of \$11.07M and

favourability in personnel of \$0.35M, from an average of 3 net temporary vacancies. 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)

D. Planning & Engineering Development Fee Reserve (Appendix 4)

The Planning & Design and Engineering departments ended the year with a surplus of \$7.64M and a surplus of \$11.43M respectively. A transfer to the Reserve of \$19.07M will increase the balance from \$8.89M to \$27.96M. The year-end balance includes in-year interest adjustments and capital project funding transfers.

E. Building Standards (Appendix 5)

Actual \$7.57 – Budget \$1.55M = Favourable variance \$6.02M

The Building Standards department incurred a surplus of \$7.57M against a budgeted surplus of \$1.55M. The favourable variance was due to higher than expected Building revenues resulting from increased development activity and favourability in personnel, from an average of 3 net temporary net vacancies.

A transfer to Reserve of \$7.57M will be made increasing the balance from \$6.38M to \$13.95M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

F. Waterworks (Appendix 7)

Actual \$18.04M – Budget \$16.15M = Favourable variance \$1.89M

The Waterworks department incurred a surplus of \$18.04M against a budgeted surplus of \$16.15M. The main drivers for the favourable variance of \$1.89M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$1.06M due to less watermain breaks compared to budget
- The net sales and purchases of water is slightly favourable to budget, driven by higher sales of water \$1.44M offset by higher purchases of water (\$1.36M). Year-to-date December average non-revenue water was 10.9% (NRW budgeted at 11%)
- Lower personnel costs resulting in a favourable variance of \$0.67M due to temporary vacancies

A transfer of \$18.04M will be made to the Reserve increasing the balance from \$57.92 to \$75.96M (see Appendix 8).

The results above are independent of maintaining the 2021 water rate at 2019 levels.

PURPOSE:

The purpose of this report is to provide the 2021 year-end actual results of operations versus the 2021 operating budget.

BACKGROUND:**Operating Budget Controls and Monitoring Process**

On a monthly basis, Finance Staff distribute operating statements to all department Directors. As well, Finance Staff review the results of operations department by department. Based on pre-established variance thresholds, departments are contacted for explanations and to determine mitigating strategies, if required. As well, Finance Staff meet with Directors every quarter to review the department operating results. Finance Staff will advise the Executive Leadership Team (ELT) immediately should significant variances arise

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 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
2. Primary operating budget by major accounts

OPTIONS/ DISCUSSION:**A. Primary Operating Budget****1. PRIMARY OPERATING BUDGET BY COMMISSION / DEPARTMENT**

Net results (revenues less expenses) for the twelve months ended December 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 Commissions' year-to-date December results (\$ in millions):

<u>Commission</u>	<u>YTD Dec 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources, Fire and Legal	\$ 46.88	\$ 47.31	\$ 0.43
Community Services (excl. winter maintenance)	\$ 57.13	\$ 65.81	\$ 8.68
Corporate Services	\$ 22.30	\$ 22.37	\$ 0.07
Development Services	\$ 5.69	\$ 7.57	\$ 1.88
Mayor & Council	\$ 2.67	\$ 3.05	\$ 0.38
Corporate Items	\$ (163.66)	\$ (156.81)	\$ 6.85
Net Expense/ (Revenue)	\$ (29.00)	\$ (10.70)	\$ 18.29

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 Dec 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.67	0.88	\$ 0.21
Human Resources	2.74	3.22	\$ 0.48
Fire Services	41.74	41.09	\$ (0.65)
Legal	1.73	2.12	\$ 0.39
Net Expense	\$ 46.88	\$ 47.31	\$ 0.43

CAO'S Office (Actual \$0.67M – Budget \$0.88M = Variance \$0.21M)

Favourable variance of \$0.21M is mainly due to a year-to-date average of one temporary net vacancy.

Human Resources (Actual \$2.74M – Budget \$3.22M = Variance \$0.48M)

Favourable variance of \$0.48M is mainly due to an average of two temporary net vacancies and favourability in training expenses.

Fire Services (Actual \$41.74M – Budget \$41.09M = Variance (\$0.65M))

Unfavourable variance of \$0.65M is mainly due to higher than budgeted full time overtime costs.

Legal Services (Actual \$1.73M – Budget \$2.12M = Variance \$0.39M)

Favourable variance mainly due to legal services \$0.12M and favourability in service charges \$0.22M.

Community Services – excluding winter maintenance (Appendix 10)

<u>Department</u>	<u>YTD Dec 2021</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	26.14	27.03	\$ 0.89
Library	9.93	13.88	\$ 3.95
Recreation Services	9.20	11.29	\$ 2.09
Environmental Services	0.85	0.96	\$ 0.11
Waste	10.71	12.16	\$ 1.45
Commissioner's Office	0.30	0.49	\$ 0.19
Net Expense	\$ 57.13	\$ 65.81	\$ 8.68

Operations (Actual \$26.14M – Budget \$27.03M = Variance \$0.89M)

Favourable variance mainly due to a year-to-date average of nine temporary net vacancies for \$0.59M, contracted services \$0.26M, utility locates \$0.08M, and road occupancy permits revenue for \$0.22M, partially offset by unfavourability in sportfields revenue from park closures (\$0.26M).

Library (Actual \$9.93M – Budget \$13.88M = Variance \$3.95M)

Favourable variance mainly due to part-time savings \$3.83M, year-to-date average of four temporary net vacancies for \$0.61M offset by lost fine and program revenue of (\$0.82M) related to the closure of facilities and cancellation of programs from the COVID-19 pandemic. A partial opening of select libraries in September of 2021 is reflected in the year-end results.

Recreation Services (Actual \$9.20M – Budget \$11.29M = Variance \$2.09M)

Unfavourable variances in ice, gym, pool and soccer rentals totaling (\$6.33M), spring aquatic and program registration fees totaling (\$8.63M), fitness programs (\$2.52M), and camps (\$2.50M) partially offset by part-time savings \$9.02M, full time savings \$6.41M from redeployments and temporary layoffs and gapping, utilities \$2.64M, facility maintenance \$0.89M, operating materials and supplies \$1.06M and contracted services \$0.98M. These variances are due to the facility closures and program cancellations from the pandemic. A partial opening of select facilities in September of 2021 is reflected in the year-end results.

Waste (Actual \$10.71M – Budget \$12.16M = Variance \$1.45M)

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

Commisioner's Office (Actual \$0.30M – Budget \$0.49M = Variance \$0.19M)

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

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Dec 2021</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	
Legislative Services & Corporate Communications	6.94	5.04	\$	(1.90)
Financial Services	3.84	4.54	\$	0.70
ITS	8.32	9.26	\$	0.94
Sustainability & Asset Management	2.81	3.11	\$	0.30
Commissioner's Office	0.39	0.42	\$	0.03
Net Expense	\$ 22.30	\$ 22.37	\$	0.07

Legislative Services & Corporate Communications (Actual \$6.94M – Budget \$5.04M = Variance (\$1.90M))

Unfavourable variance mainly due to lower volume of parking fines (\$1.48M) 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 seven temporary net vacancies and savings from redeployments \$0.38M.

Financial Services (Actual \$3.84M – Budget \$4.54M = Variance \$0.70M)

Favourable variance mainly due to other contracted services \$0.24M, a year-to-date average of three temporary net vacancies \$0.25M, and favourable revenue in finance user fees \$0.20M.

ITS (Actual \$8.07M – Budget \$8.99M = Variance \$0.92M)

Favourable variance mainly due to an average of six temporary net vacancies \$0.79M, and lower training seminar expenses \$0.06M.

Sustainability & Asset Management (Actual \$3.49M – Budget \$3.83M = Variance \$0.34M)

Favourable variance mainly due to a year-to-date average of three temporary net vacancies \$0.30M.

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Dec 2021</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	
Culture & Economic Development	2.68	3.82	\$	1.14
Traffic Operations	1.33	1.78	\$	0.45
Commissioner's Office	1.68	1.97	\$	0.29
Net Expense	\$ 5.69	\$ 7.57	\$	1.88

Culture & Economic Development (Actual \$2.68M – Budget \$3.82M = Variance \$1.14M)

The favourable variance of \$1.14M consists of \$0.59M favourability in Economic Development and \$0.55M 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 \$0.38M, and one-time Economic Development federal and provincial grants \$0.12M.

The \$0.55M favourable variance in Culture is mainly driven from:

- \$0.51M Museum mainly due to four staff redeployed other departments within the corporation, partially offset by lost revenue due to closure,
- \$0.05M Art Centres mainly due to three staff redeployed to other departments within the corporation, partially offset by lost revenue due to closure,
- (\$0.09M) Theatre mainly due to unfavourable ticket sales, charges and rentals, five staff redeployed to other departments within the corporation, and savings in professional services
- \$0.07M Culture Admin mainly due to savings in part time expenses and procured services

Traffic Operations (Actual \$1.33M – Budget \$1.78M = Variance \$0.45M)

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

Commissioner's Office (Actual \$1.68M – Budget \$1.97M = Variance \$0.29M)

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

Mayor and Council (Appendix 13)

<u>Department</u>	<u>YTD Dec 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Mayor & Council	\$ 2.67	\$ 3.05	\$ 0.38
Net Expense	\$ 2.67	\$ 3.05	\$ 0.38

Mayor and Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel and Councillor discretionary budgets. The year-end favourable variance is mainly driven by unspent discretionary budgets.

Corporate Items (Appendix 14)

<u>Department</u>	<u>YTD Dec 2021</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	\$(163.66)	\$(156.81)	\$ 6.85
Net Revenue	\$(163.66)	\$(156.81)	\$ 6.85

Favourable variance mainly due to property tax penalty and interest \$2.14M from higher than average tax accounts in arrears net of approved property tax deferrals (as of December 31st, the City has approved 157 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program).

Other drivers for the favourable variance include lower than budgeted corporate contingency of \$3.11M, utilities and streetlight hydro budgeted savings \$0.84M and tax adjustments \$0.42M.

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS

(including year-end accounting accruals and other adjustments and excl. winter maintenance)

	2021		Variance	% of
(\$ in millions)	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	222.44	244.38	(21.94)	91.0%
Expenses	<u>193.43</u>	<u>233.66</u>	<u>40.23</u>	82.8%
Subtotal	29.01	10.72	18.29	

The 2021 actual operating results, including year-end accounting accruals and other adjustments and excluding winter maintenance, netted a favourable variance of \$18.29M (\$21.94M unfavourable revenue and \$40.23M favourable expense) against budget, and the breakdown is as follows:

REVENUES

At the end of December, revenues totalled \$222.44M against a budget of \$244.38M resulting in an unfavourable variance of \$21.94M or 91.0% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 168.00 M	\$ 168.63 M	(\$ 0.63 M)
General Revenues	\$ 35.65 M	\$ 35.09 M	\$ 0.56 M
User Fees & Service Charges	\$ 8.48 M	\$ 33.04 M	(\$ 24.56 M)
Grant & Subsidy Revenues	\$ 4.80 M	\$ 1.94 M	\$ 2.86 M
Other Income	\$ 5.51 M	\$ 5.68 M	(\$ 0.17 M)
Net Variance	\$ 222.44 M	\$ 244.38 M	(\$ 21.94 M)

Property Taxation Revenues (Actual \$168.00M – Budget \$168.63M= Variance (\$0.63M))

Property taxation revenues were unfavourable by \$0.63M mainly due to supplemental taxes (\$0.96M) partially offset by tax levies \$0.19M and payments-in-lieu \$0.14M.

For 2021, the total outstanding tax receivable for all taxation years as of December 31st, 2021 was \$33.6 million or 4.4% of total taxes levied, meaning the City collected 95.6% of all taxes levied. For comparison, prior year collections were 2020: 95.3%, 2019: 96.6%, 2018: 96.6%, 2017: 96.5%.

General Revenues (Actual \$35.65M – Budget \$35.09M = Variance \$0.56M)

The general revenues budget includes investment income (budget \$14.86M), interest and penalties on property taxes (budget \$4.28M), parking fines (budget \$3.40M), and business, taxi, marriage and other licenses (budget \$2.19M).

General revenues also include Alectra interest and dividends (budget of \$10.30M) with a corresponding transfer in expenditures 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.

General revenues totaled \$35.65M at the end of December against a budget of \$35.09M. The main drivers for the favourable variance of \$0.56M are due to property tax penalty and interest \$2.14M from higher than average tax accounts in arrears net of approved property tax deferrals (as of December 31st, the City has approved 157 applications as part of the Property Tax and Stormwater Fee Payment Deferral Program), offset by lower volume of parking fines (\$1.48M) as a result of school and business closures from the COVID-19 pandemic.

User Fees and Service Charges (Actual \$8.48M – Budget \$33.04M= Variance (\$24.56M))

The user fees and services charges budget of \$32.14M includes revenues from programs offered by Recreation, Culture and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$21.41M), and facility rentals for arenas, pools, gym and halls (budget \$10.99M).

User fees and service charges were unfavourable by (\$24.56M), the main drivers of which were unfavourable Recreation user fees and rentals (\$20.13M), Theatre, Museum and Arts Centres user fees and rentals (\$3.87M) and Library programs and fines (\$0.82M) due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$4.80M – Budget \$1.94M = Variance \$2.86M)

The budget includes provincial and federal grants of \$1.94M. The favourable variance of \$2.86M resulted primarily from \$2M of Safe Restart Funding recognized to offset pool repairs related to facility closures, and from the receipt of one-time federal and provincial grants offset by corresponding expenses.

Other Income (Actual \$5.51M – Budget \$5.68M = Variance (\$0.17M))

The unfavorable variance of \$0.17M is mainly due to miscellaneous department recoveries.

PERSONNEL EXPENDITURES

In 2021, personnel expenditures were favourable by \$26.24M or 81.3% of the year-end budget.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 110.09 M	\$ 139.32 M	\$ 29.23 M
Overtime and other personnel costs	\$ 3.67 M	\$ 0.68 M	(\$ 2.99 M)
Total	\$ 113.76 M	\$ 140.00 M	\$ 26.24 M

In 2021, there was an average of 62 net temporary vacancies (compared to 53 net temporary vacancies in December 2020) resulting in a favourable variance of \$13.22M. The main drivers of the difference of 9 net vacancies year over year come from Fire (7) vacancies from approved Leave of Absences and retirements.

There were also part-time savings of \$16.46M. This was partially offset by full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$29.23M.

Overtime and other personnel costs were unfavourable by (\$2.99M) mainly driven by Fire overtime, labour recoveries, and transfers to reserves.

NON-PERSONNEL EXPENDITURES

In 2021, non-personnel expenditures were favourable by \$13.11M (85.70% of budget).

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 4.53 M	\$ 5.92 M	\$ 1.39 M
Procured Services	\$ 34.87 M	\$ 43.16 M	\$ 8.29 M
Transfers to Reserves	\$ 37.05 M	\$ 36.77 M	(\$ 0.28 M)
Other Expenditures	\$ 2.16 M	\$ 5.87 M	\$ 3.71 M
Total	\$ 78.61 M	\$ 91.72 M	\$ 13.11 M

Materials & Supplies (Actual \$4.53M – Budget \$5.92M = Variance \$1.39M)

Materials & supplies budget of \$5.83M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.79M), vehicle supplies such as fuel and repair parts (budget \$1.82M), and printing and office supplies (budget \$0.44M).

The favourable variance of \$1.39M is primarily due to operating materials and supplies \$1.20M (eg. uniforms, equipment and program expenses), purchases for resale \$0.22M, offset by vehicle fuel (gas and diesel) and parts \$0.10M.

Procured Services (Actual \$34.87M – Budget \$43.16M = Variance \$8.29M)

Purchased services budget of \$43.16M includes utilities and streetlight hydro (budget \$11.12M), waste collection (budget \$12.66M), maintenance & repairs (\$5.68M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$3.07M), insurance (\$2.86M), communications (\$1.42M) and promotion and advertising (budget \$1.37M).

Purchased Services were favourable \$8.29M mainly due to:

- \$3.80M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities from the COVID-19 pandemic
- \$2.01M favourable in professional fees, communications, training, and travel related expenses (excl. office supplies of \$0.44M which is included under materials & supplies)
- \$1.53M contract service agreements (facility maintenance contracts)
- \$0.97M municipal contracted services due to deferral of waste contract to March 2022
- \$0.72M communications and programs (with offsetting lost revenue)
- \$0.27M promotion and advertising
- (\$1.40M) unfavourable offset in maintenance and repairs (streetlight and facility maintenance)

Transfers to Reserves (Actual \$37.05M – Budget \$36.77M = Variance (\$0.28M))

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

Other Expenditures (Actual \$2.16M – Budget \$5.87M = Variance \$3.71M)

Other expenditures budget of \$5.87M includes contingency expense and non-personnel ramp ups \$2.78M and property tax adjustments \$1.27M. Variance of \$3.71M is mainly due to lower corporate contingency expenditures of \$3.11M and tax appeals \$0.42M.

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Favourable variance \$0.88M

The 2021 year-end accounting accruals and other adjustments totaled \$1.06M against a budget of \$1.94M resulting in a favourable variance of \$0.88M. The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accruals.

Winter Maintenance

The 2021 actual winter maintenance expenditures was \$6.54M against a budget of \$10.72M, resulting in a favourable variance of \$4.29M.

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;

3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

B. Planning & Design (Appendix 2)

Actual \$7.64M – Budget \$3.22M = Favourable variance \$4.42M

Planning & Design incurred a surplus of \$7.64M against a budgeted surplus of \$3.22M. The favourable variance of \$4.42M was mainly due to a higher than anticipated development activity and personnel favourability from an average of 4 temporary net vacancies and lower than budgeted backfills of planning staff

C. Engineering (Appendix 3)

Actual \$11.43M – Budget \$0.00M = Favourable variance \$11.43M

Engineering incurred a surplus of \$11.43M compared to a budgeted surplus of \$0.00M. The variance is due to higher than expected Engineering revenues of \$11.07M and favourability in personnel of \$0.35M, from an average of 3 net temporary vacancies. 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)

D. Planning & Engineering Development Fee Reserve (Appendix 4)

The Planning & Design and Engineering departments ended the year with a favourable surplus of \$4.42M and a surplus of \$11.43M respectively. A transfer to the Reserve of \$19.07M will increase the balance from \$8.89M to \$27.96M. The year-end balance includes in-year interest adjustments and capital project funding transfers.

E. Building Standards (Appendix 5)

Actual \$7.57 – Budget \$1.55M = Favourable variance \$6.02M

The Building Standards department incurred a surplus of \$7.57M against a budgeted surplus of \$1.55M. The favourable variance was due to higher than expected Building revenues resulting from increased development activity and favourability in personnel, from an average of 3 net temporary net vacancies.

A transfer to Reserve of \$7.57M will be made increasing the balance from \$6.38M to \$13.95M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

F. Waterworks (Appendix 7)

Actual \$18.04M – Budget \$16.15M = Favourable variance \$1.89M

The Waterworks department incurred a surplus of \$18.04M against a budgeted surplus of \$16.15M. The main drivers for the favourable variance of \$1.89M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$1.06M due to less watermain breaks compared to budget
- The net sales and purchases of water is slightly favourable to budget, driven by higher sales of water \$1.44M offset by higher purchases of water (\$1.36M). Year-to-date December average non-revenue water was 10.9% (NRW budgeted at 11%)
- Lower personnel costs resulting in a favourable variance of \$0.67M due to temporary vacancies

A transfer of \$18.04M will be made to the Reserve increasing the balance from \$57.92M to \$75.96M (see Appendix 8).

The results above are independent of maintaining the 2021 water rate at 2019 levels.

FINANCIAL CONSIDERATIONS

The Council approved Financial Planning and Budgeting Policy states any year-end operating surplus will first be transferred to the Corporate Rate Stabilization Reserve to achieve a level equivalent to 15% of local tax revenues, secondly to replenish the expenditures in the Environmental Land Reserve Fund and finally transferred to the Life Cycle Replacement and Capital Reserve Fund. Due to the circumstances surrounding COVID-19 in 2021, there are several additional transfers to be considered.

Additional \$650,000 tax appeal provision for commercial properties, estimated at 50% of the annual budget - \$2.3M accrued, plus additional \$650K proposed, for a total of \$2.95M

The 2021 operating surplus is separated into two components:

1. The 2021 estimated pool repair expenses of \$2.00M be funded from the COVID Reserve.
2. The City's 2021 operating net favourable variance of \$22.59M be transferred as follows:
 - f. \$0.69M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
 - g. \$3.15M to provide funding for the 2022 Operating Budget requirements
 - h. \$3.15M to provide advance funding for the projected 2023 to 2024 Operating Budget requirements;
 - i. \$0.65M provision for future tax adjustments;

- j. The remaining \$14.95M to the Life Cycle Capital Replacement and Capital Reserve Fund; and further,

The audited 2021 draft consolidated financial statements will be presented to General Committee in April 2022. The year-end results presented in this report are subject to change based on the results of the external audit.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 14](#)