



Report to: General Committee

Meeting Date: March 28, 2023

SUBJECT: 2022 Year-End Results of Operations
PREPARED BY: Jay Pak, Senior Manager, Financial Planning and Reporting

RECOMMENDATION:

- 1) THAT the report titled “2022 Year-End Review of Operations” be received;
- 2) THAT the City’s 2022 net operations favourable variance of \$2.91M be transferred to the Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy; 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 2022 annual operating budget of \$423.4M on December 14, 2021 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 2022 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)

The 2022 year-end favourable variance excluding winter maintenance is \$2.89M
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The 2022 overall variance is summarized below:

(\$ in millions)	<u>2022</u>		Variance fav./ (unfav.)	% of Budget
	<u>Actual</u>	<u>Budget</u>		
Revenues	\$249.62	\$249.86	(\$0.24)	99.9%
Expenses	<u>229.06</u>	<u>236.60</u>	<u>7.54</u>	96.8%
Subtotal	\$20.56	\$13.26	\$7.30	
Year-End Accounting Accruals & Other Adjustments	<u>6.75</u>	<u>2.34</u>	<u>(4.41)</u>	
Surplus excluding winter maintenance	13.81	10.92	2.89	
Winter Maintenance	<u>\$10.90</u>	<u>\$10.92</u>	<u>\$0.02</u>	
Net surplus including winter maintenance	<u>\$2.91</u>	<u>(\$0.00)</u>	<u>\$2.91</u>	

City's surplus excluding year-end accounting accruals and other adjustments and winter maintenance = Favourable variance \$7.30M

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Recreation Services revenue	(\$10.12)	M	Salaries & benefits	\$7.63	M
Theatre, Art Centre and Museum revenue	(\$1.43)	M	Corporate Contingency	\$2.59	M
Parking fines	(\$1.02)	M	Utilities and Streetlight hydro	\$2.51	M
Library revenue	(\$0.48)	M	Professional services/ office supplies/ training/ travel	\$1.30	M
Supplementary Taxes	(\$0.72)	M	Municipal Contracted Services	\$0.49	M
Licenses & Permits	\$0.16	M	Operating materials & supplies	\$0.35	M
Investment income	\$9.33	M	Promotion and Communications	\$0.25	M
Property tax penalty and interest	\$1.47	M	Contract service agreements	\$0.23	M
Federal and Provincial grants	\$1.36	M	Vehicle Supplies	(\$0.47)	M
Payments-in-lieu	\$0.37	M	Maintenance & Repair	(\$0.69)	M
			Transfer to Reserves	(\$6.70)	M
Other	\$0.84	M	Other	\$0.06	M
Total	(\$0.24)	M	Total	\$7.54	M

Year-End Accounting Accruals and Other Adjustments

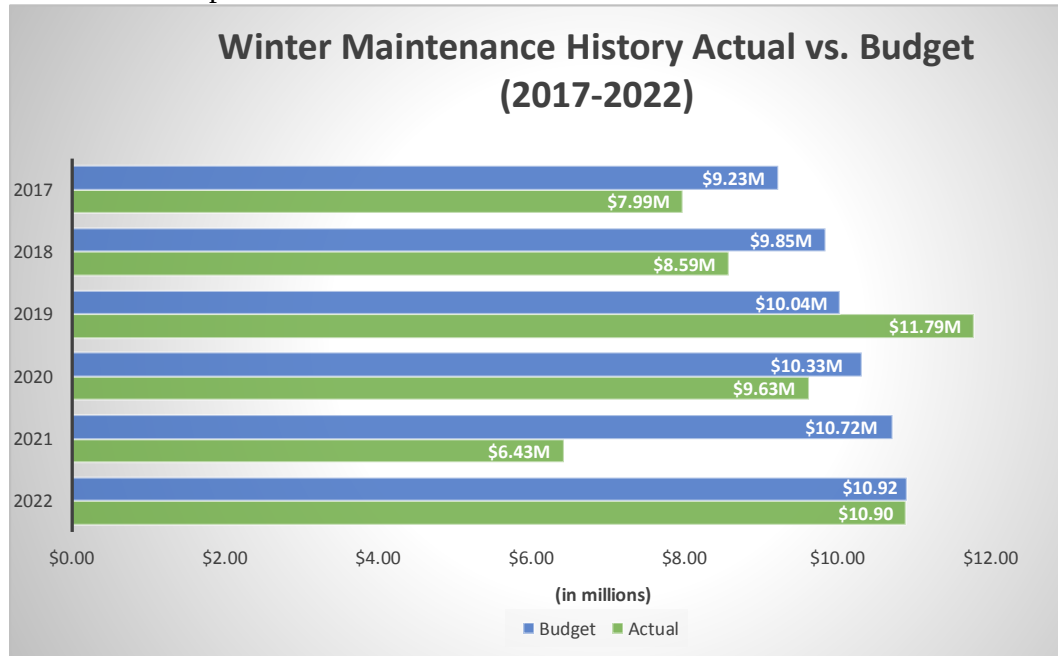
Year-end accounting accruals and other adjustments = Unfavourable variance (\$4.41M)

The 2022 year-end accounting accruals and other adjustments totaled \$6.75M against a budget of \$2.34M resulting in an unfavourable variance of (\$4.41M) primarily due to a top up for Fire Fighter and Post employment benefits liability of \$3.21M based on the latest actuarial evaluation which included an increase of volume of eligible participants and a 2% indexing from 2018. The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post employment benefits and salary accrual.

Winter maintenance = Favourable variance \$0.02M

The 2022 actual winter maintenance expenditure was \$10.90M against a budget of \$10.92M, resulting in a favourable variance of \$0.02M.

The exhibit below compares the 6 year historical actuals versus budget for winter maintenance expenses from 2017-2022.



As the exhibit above shows, the actuals compared to budget have fluctuated over the past 6 years.. Variances between actual costs and budgeted costs in the period of 2017-2022 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
2017	49	9	58
2018	44	8	42
2019	51	17	52
2020	38	13	68
2021	39	10	53
2022	37	14	51
6 Year Average	43	12	54

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 \$0.02M favourable variance:

<u>Description</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav./(Unfav.)</u>	
			<u>Hours</u>	<u>\$M</u>
Sidewalk (per unit of equipment)	342 hrs	305 hrs	(37) hrs	(0.26)
Tandem (per unit of equipment)	325 hrs	270 hrs	(55) hrs	(0.35)
Graders and windrows (per unit of equipment)	135 hrs	109 hrs	(26) hrs	(0.18)
Loader (per unit of equipment)	173 hrs	147 hrs	(26) hrs	(0.27)
Salt & Sand	12,280 tonnes	24,500 tonnes	12,220 tonnes	1.02
Part-time & overtime costs				(0.04)
Other winter maintenance costs				0.11
Winter maintenance favourable variance				0.02

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 2022, \$12.40M will be allocated with the remaining balance of \$6.07M to be allocated in 2023 and 2024.

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, and also made provision for future tax appeals. For 2021, staff utilized \$1.91M of the available funding, and for 2022, \$4.75M was utilized to address shortfalls in Recreation and Culture revenues. The remaining available balance of \$6.07M will be utilized in 2023 and 2024 as required.

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 as of Dec 2022

	2020	2021	2022	2023/24	Total
Funding Received					
Safe Restart Agreement Phase 1 Allocation (Federal)	6.65	-	-	-	6.65
Safe Restart Agreement Phase 2 Allocation (Provincial and Federal)	2.82	-	-	-	2.82
2021 Provincial COVID-19 Recovery Funding for Municipalities	-	9.00	-	-	9.00
	9.47	9.00	-	-	18.47
Use or Proposed Use of Funding					
Recreation, Culture, and Other COVID impacts	4.44	1.91	4.75	-	11.10
Provision for future tax appeals	1.30	-	-	-	1.30
COVID Recovery funding to address 2023/24 budget issues	-	-	-	6.07	6.07
	5.74	1.91	4.75	6.07	18.47

B. Planning & Design (Appendix 2)

Actual \$6.04M – Budget \$1.34M = Favourable variance \$4.70M

Planning & Design incurred a surplus of \$6.04M against a budgeted surplus of \$1.34M. The favourable variance of \$4.70M was mainly due to a higher than anticipated development activity and personnel favourability from an average of two temporary net vacancies and lower than budgeted backfills of planning staff

C. Engineering (Appendix 3)

Actual \$16.44M – Budget \$0.96M = Favourable variance \$15.48M

Engineering incurred a surplus of \$16.44M compared to a budgeted surplus of \$0.96M. The variance is due to higher than expected Engineering revenues of \$14.63M and favourability in personnel of \$0.76M, from an average of two net temporary vacancies. Favourability in Engineering revenues was a result of unanticipated Engineering Fees collected, in particular, from the following major developments:

- \$5.3M from Robinson Fieldgate (FUA) (previously anticipated to come in 2021 to 2029)
- \$2.1M from Berczy Warden (previously anticipated to come in 2021 to 2024)
- \$2.0M from Berczy Azuria (previously anticipated to come in 2021 to 2025)
- \$1.8M from External Works (FUA) (previously anticipated to come in 2021 to 2024)
- \$0.9M from Berczy Elgin (previously anticipated to come in 2021 to 2023)

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

The Planning & Design and Engineering departments ended the year with a surplus of \$6.04M and a surplus of \$16.44M respectively. A transfer to the Reserve of \$22.48M will increase the balance from \$27.96M to \$50.46M. The year-end balance includes in-year interest adjustments and capital project funding transfers.

E. Building Standards (Appendix 5)

Actual (\$0.48M) – Budget (\$0.25M) = Unfavourable variance \$0.23M

The Building Standards department incurred a deficit of \$0.48M against a budgeted deficit of \$0.25M. The unfavourable variance was due to lower than expected Building revenues resulting from increased development activity.

A draw from the Reserve of \$0.48M will be made decreasing the balance from \$13.95 to \$13.50M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

F. Waterworks (Appendix 7)

Actual \$18.87M – Budget \$15.99M = Favourable variance \$2.88M

The Waterworks department incurred a surplus of \$18.44M against a budgeted surplus of \$15.99M. The main drivers for the favourable variance of \$2.88M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$0.45M due to less watermain breaks compared to budget
- The net sales and purchases of water is favourable to budget, driven by higher sales of water \$2.96M offset by higher purchases of water (\$1.14M). Year-to-date December average non-revenue water was 10.3% (NRW budgeted at 11%)
- Lower personnel costs resulting in a favourable variance of \$0.84M due to 3 temporary vacancies

Due to higher than budgeted transfers to capital in 2022 of \$26.69M, a transfer of \$18.87M from the Operating budget will offset this decrease to the Reserve resulting in a net decrease to the balance from \$75.96M to \$68.14M (see Appendix 8).

PURPOSE:

The purpose of this report is to provide the 2022 year-end actual results of operations versus the 2022 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 2022 annual operating budget of \$423.4M on December 14, 2021 which included 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
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, 2022 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 2022</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources, Fire and Legal	\$ 49.53	\$ 48.03	\$ (1.50)
Community Services (excl. winter maintenance)	\$ 67.69	\$ 68.37	\$ 0.68
Corporate Services	\$ 23.10	\$ 23.12	\$ 0.02
Development Services	\$ 6.49	\$ 7.52	\$ 1.03
Mayor & Council	\$ 2.54	\$ 3.09	\$ 0.55
Corporate Items	\$ (163.13)	\$ (161.03)	\$ 2.10
Net Expense/ (Revenue)	\$ (13.79)	\$ (10.90)	\$ 2.89

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 2022</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.88	0.96	\$ 0.08
Human Resources	3.01	3.17	\$ 0.16
Fire Services	43.64	41.68	\$ (1.96)
Legal	2.00	2.22	\$ 0.22
Net Expense	\$ 49.53	\$ 48.03	\$ (1.50)

CAO'S Office (Actual \$0.88M – Budget \$0.96M = Variance \$0.08M)

Favourable variance of \$0.08M is mainly due to a year-to-date average of one temporary net vacancy.

Human Resources (Actual \$3.01M – Budget \$3.17M = Variance \$0.16M)

Favourable variance of \$0.16M is mainly due to an average of three temporary net vacancies and favourability in training expenses.

Fire Services (Actual \$43.64M – Budget \$41.68M = Variance (\$1.96M))

Unfavourable variance of \$1.96M is mainly due to higher than budgeted full time overtime costs and overcomplement of firefighters to meet legislated standards.

Legal Services (Actual \$2.00M – Budget \$2.22M = Variance \$0.22M)

Favourable variance mainly due to favourability in service charges \$0.13M.

Community Services – excluding winter maintenance (Appendix 10)

Department	<u>YTD Dec 2022</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	27.05	27.69	\$ 0.64
Library	12.79	13.67	\$ 0.88
Recreation Services	13.48	11.77	\$ (1.71)
Environmental Services	1.05	1.01	\$ (0.04)
Waste	13.00	13.79	\$ 0.79
Commissioner's Office	0.32	0.44	\$ 0.12
Net Expense	\$ 67.69	\$ 68.37	\$ 0.68

Operations (Actual \$27.05M – Budget \$27.69M = Variance \$0.64M)

Favourable variance mainly due to a year-to-date average of six temporary net vacancies for \$0.88M, part time salaries \$0.34M, utility permit fees \$0.41M, street light hydro \$0.22M, and road occupancy permits \$0.19M, partially offset by unfavourability in vehicle supplies (\$0.35M) mainly due to fuel escalations, tipping fees (\$0.34M) from higher frequency of road sweeping, light maintenance and repair (\$0.24M), utility locates (\$0.19M), and street cleaning (\$0.18M).

Library (Actual \$12.79M – Budget \$13.67M = Variance \$0.88M)

Favourable variance mainly due to part-time savings \$1.01M, year-to-date average of three temporary net vacancies for \$0.32M offset by reduced fine and program revenue of (\$0.44M).

Recreation Services (Actual \$13.54M – Budget \$11.77M = Variance (\$1.71M))

Unfavourable revenue variances in ice, gym, and soccer rentals totaling (\$2.43M), aquatic and program registration fees totaling (\$4.54M), fitness programs (\$2.02M), and camps (\$1.06M) were impacted by the effects of COVID-19 regulations and restrictions. The slow easing of regulations resulted in reduced capacity on Recreation programs and services during the spring and summer, while the major shortages in the Aquatics

portfolio also contributed to capacity issues. Although the take up of programs and services remained high, revenues were primarily unfavourable in 2022 due to the limitations in offerings available.

The Revenue shortfall was partially offset by part-time savings \$3.49M, full time savings \$2.29M, utilities \$1.41M, contracted services \$0.63M, and operating materials and supplies \$0.42M.

Waste (Actual \$13.00M – Budget \$13.79M = Variance \$0.79M)

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

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

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

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Dec 2022</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	
Legislative Services & Corporate			
Communications	4.39	4.34	\$ (0.05)
By-Law Services	1.86	0.70	\$ (1.16)
Financial Services	3.92	4.71	\$ 0.79
ITS	9.48	9.55	\$ 0.07
Sustainability & Asset Management	3.04	3.39	\$ 0.35
Commissioner's Office	0.41	0.43	\$ 0.02
<u>Net Expense</u>	\$ 23.10	\$ 23.12	\$ 0.02

By-Law Services (Actual \$1.86M – Budget \$0.70M = Variance (\$1.16M))

Unfavourable variance mainly due to lower volume of parking fines and by-law infractions (\$1.06M).

Financial Services (Actual \$3.92M – Budget \$4.71M = Variance \$0.79M)

Favourable variance mainly due to a year-to-date average of six temporary net vacancies \$0.51M, contracted services \$0.12M, and favourable revenue in finance user fees \$0.10M.

ITS (Actual \$9.48M – Budget \$9.55M = Variance \$0.07M)

Favourable variance mainly due to an average of three temporary net vacancies \$0.20M, computer hardware maintenance \$0.14M and miscellaneous sales \$0.08M, offset by computer software service agreements related to the CLASS replacement (\$0.31M).

Sustainability & Asset Management (Actual \$3.04M – Budget \$3.39M = Variance \$0.35M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy and unbudgeted recoveries \$0.09M, utilities \$0.07M, and net revenue at 160 Dudley \$0.07M.

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Dec 2022</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	3.52	3.87	\$ 0.35
Traffic Operations	1.48	1.69	\$ 0.21
Commissioner's Office	1.49	1.96	\$ 0.47
Net Expense	\$ 6.49	\$ 7.52	\$ 1.03

Culture & Economic Development (Actual \$3.52M – Budget \$3.87M = Variance \$0.35M)

The favourable variance of \$0.35M consists of \$0.10M favourability in Economic Development and \$0.25M favourability in Culture.

The favourability in Economic Development is mainly due one-time Economic Development federal and provincial grants \$0.09M.

The \$0.25M favourable variance in Culture is mainly driven from:

- \$0.11M Museum mainly due to part time salaries \$0.20M and average of one temporary net vacancy \$0.14M, partially offset by lost revenue due to partial closure,
- \$0.08M Art Centres mainly due to part time salaries \$0.14M and average of one temporary net vacancy \$0.11M, partially offset by lost revenue due to partial closure,
- (\$0.02M) Theatre mainly due to unfavourable ticket sales, charges and rentals, (\$1.10M) offset by part time and full time savings of \$0.46M from staff redeployed to other departments within the corporation, and savings in professional services \$0.52M
- \$0.05M Culture Admin mainly due to savings in part time expenses and procured services

Traffic Operations (Actual \$1.48M – Budget \$1.69M = Variance \$0.21M)

Favourable variance mainly due to professional services (school crossing guards) \$0.11M related to the closure of schools from the COVID-19 pandemic.

Commissioner's Office (Actual \$1.49M – Budget \$1.96M = Variance \$0.47M)

Favourable variance mainly due to an in-year transfer of four full time staff to the Planning & Design department. The resulting favourability is offset through indirect charges under Corporate Items.

Mayor and Council (Appendix 13)

<u>Department</u>	<u>YTD Dec 2022</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Mayor & Council	\$ 2.54	\$ 3.09	\$ 0.55
Net Expense	\$ 2.54	\$ 3.09	\$ 0.55

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 2022</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	\$ (163.13)	\$ (161.03)	\$ 2.10
Net Revenue	\$ (163.13)	\$ (161.03)	\$ 2.10

Favourable variance mainly due to investment income \$9.33M from highest interest rate and portfolio balance, offset by a one-time transfer to the Heritage Estate Reserve Fund of \$6.70M.

Other drivers for the favourable variance include lower than budgeted corporate contingency of \$2.59M, utilities and streetlight hydro budgeted savings \$0.84M offset by transfer to Capital Gains Reserve (\$3.04M).

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS

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

<u>(\$ in millions)</u>	<u>2022</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Revenues	249.62	249.86	(0.24)	99.9%
Expenses	<u>235.84</u>	<u>238.97</u>	<u>3.13</u>	98.7%
Subtotal	13.78	10.89	2.89	

The 2022 actual operating results, including year-end accounting accruals and other adjustments and excluding winter maintenance, netted a favourable variance of \$2.89M (\$0.24M unfavourable revenue and \$3.13M favourable expense) against budget, and the breakdown is as follows:

REVENUES

At the end of December, revenues totalled \$249.62M against a budget of \$249.86M resulting in an unfavourable variance of \$0.24M or 99.9% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 172.87 M	\$ 173.25 M	(\$ 0.38 M)
General Revenues	\$ 42.19 M	\$ 35.47 M	\$ 6.72 M
User Fees & Service Charges	\$ 21.95 M	\$ 33.55 M	(\$ 11.60 M)
Grant & Subsidy Revenues	\$ 3.29 M	\$ 1.94 M	\$ 1.35 M
Other Income	\$ 9.32 M	\$ 5.65 M	\$ 3.67 M
Net Variance	\$ 249.62 M	\$ 249.86 M	(\$ 0.24 M)

Property Taxation Revenues (Actual \$172.87M – Budget \$173.25M = Variance (\$0.38M))

Property taxation revenues were unfavourable by \$0.38M mainly due to supplemental taxes (\$0.72M) partially offset by tax levies \$0.26M and payments-in-lieu \$0.09M.

For 2022, the total outstanding tax receivable for all taxation years as of December 31st, 2022 was \$35.4 million or 4.5% of total taxes levied, meaning the City collected 95.5% of all taxes levied. For comparison, prior year collections were 2021: 95.6%, 2020: 95.3%, 2019: 96.6%, 2018: 96.6%, 2017: 96.5%.

General Revenues (Actual \$42.19M – Budget \$35.47M = Variance \$6.72M)

The general revenues budget includes investment income (budget \$14.89M), interest and penalties on property taxes (budget \$4.58M), parking fines (budget \$3.40M), and business, taxi, marriage and other licenses (budget \$2.30M).

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 \$41.19M at the end of December against a budget of \$35.47M. The main drivers for the favourable variance of \$6.72M are due to investment income \$9.33M, and property tax penalty and interest \$1.47M from higher than average tax accounts in arrears net of approved property tax deferrals, partially offset by parking fines (\$1.02M).

User Fees and Service Charges (Actual \$21.95M – Budget \$33.55M = Variance (\$11.60M))

The user fees and services charges budget of \$33.55M 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 \$22.10M), and facility rentals for arenas, pools, gym and halls (budget \$11.45M).

User fees and service charges were unfavourable by (\$11.60M), the main drivers of which were unfavourable Recreation user fees and rentals (\$10.12M), Theatre, Museum and Arts Centres user fees and rentals (\$1.43M) and Library programs and fines (\$0.48M) as facilities continue to recover from the previous extended closures as a result of the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$3.29M – Budget \$1.94M = Variance \$1.35M)
The budget includes provincial and federal grants of \$1.94M. The favourable variance of \$1.35M resulted primarily from the receipt of one-time federal and provincial grants offset by corresponding expenses.

Other Income (Actual \$9.32M – Budget \$5.65M = Variance (\$3.67M)
The favorable variance of \$3.67M is mainly due to one-time COVID Recovery and Safe Restart funding of \$4.75M offset by miscellaneous recoveries.

PERSONNEL EXPENDITURES

In 2022, personnel expenditures were favourable by \$7.56M or 94.6% 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	\$ 1.29.30 M	\$ 140.15 M	\$ 10.85 M
Overtime and other personnel costs	\$ 3.98 M	\$ 0.69 M	(\$ 3.29 M)
Total	\$ 133.28 M	\$ 140.84 M	\$ 7.56 M

In 2022, there was an average of 53 net temporary vacancies (compared to 62 net temporary vacancies in December 2021) resulting in a favourable variance of \$7.08M.

There were also part-time savings of \$4.47M. This was partially offset by full year budgeted salary gapping of (\$0.70M) netting a favourable variance of \$3.77M.

Overtime and other personnel costs were unfavourable by (\$3.29M) mainly driven by Fire overtime, labour recoveries, and transfers to reserves.

NON-PERSONNEL EXPENDITURES

In 2022, non-personnel expenditures were unfavourable by \$0.09M (99.90% of budget).

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 5.96 M	\$ 5.96 M	\$ 0.00 M
Procured Services	\$ 41.97 M	\$ 45.84 M	\$ 3.87 M
Transfers to Reserves	\$ 45.70 M	\$ 38.85 M	(\$ 6.85 M)
Other Expenditures	\$ 2.22 M	\$ 5.11 M	\$ 2.89 M
Total	\$ 95.85 M	\$ 95.76 M	(\$ 0.09 M)

Materials & Supplies (Actual \$5.96M – Budget \$5.96M = Variance \$0.00M)

Materials & supplies budget of \$5.96M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$3.64M), vehicle supplies such as fuel and repair parts (budget \$1.85M), and printing and office supplies (budget \$0.47M).

The Materials & Supplies expenses were on budget for 2022 as favourable variances in operating materials & supplies \$0.35M, and construction materials \$0.11M, are offset by unfavourability in vehicle supplies (\$0.47M).

Procured Services (Actual \$41.97M – Budget \$45.84M = Variance \$3.87M)

Purchased services budget of \$45.84M includes utilities and streetlight hydro (budget \$11.08M), waste collection (budget \$12.66M), maintenance & repairs (\$5.83M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$3.05M), insurance (\$3.27M), communications (\$1.42M) and promotion and advertising (budget \$1.37M).

Purchased Services were favourable \$3.87M mainly due to:

- \$2.51M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities earlier in the year stemming from the COVID-19 pandemic
- \$1.50M favourable in professional fees, communications, training, and travel related expenses (excl. office supplies of \$0.44M which is included under materials & supplies)
- \$0.23M contract service agreements (facility maintenance contracts)
- (\$0.32M) unfavourable offset in maintenance and repairs (streetlight and facility maintenance)

Transfers to Reserves (Actual \$45.70M – Budget \$38.85M = Variance (\$6.85M))

The majority of funds transferred are directed to the Life Cycle and Capital Reserve Fund. The unfavourable variance of \$6.85M is mainly driven by a one-time transfer to the Heritage Estate Reserve Fund of \$6.70M.

Other Expenditures (Actual \$2.22M – Budget \$5.11M = Variance \$2.89M)

Other expenditures budget of \$5.11M includes contingency expense and non-personnel ramp ups \$2.78M and property tax adjustments \$1.27M. Variance of \$2.89M is mainly due to lower corporate contingency expenditures of \$2.59M.

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Unfavourable variance \$4.41M

The 2022 year-end accounting accruals and other adjustments totaled \$6.75M against a budget of \$2.34M resulting in an unfavourable variance of (\$4.41M) primarily due to a top up for Fire Fighter and Post employment benefits liability of \$3.21M based on the latest actuarial evaluation which included an increase of volume of eligible participants and a 2% indexing from 2018. The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post employment benefits and salary accrual.

Winter Maintenance

The 2022 actual winter maintenance expenditures was \$10.90M against a budget of \$10.92M, resulting in a favourable variance of \$0.02M.

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 \$6.04M – Budget \$1.34M = Favourable variance \$4.70M

Planning & Design incurred a surplus of \$6.04M against a budgeted surplus of \$1.34M. The favourable variance of \$4.70M was mainly due to a higher than anticipated development activity and personnel favourability from an average of two temporary net vacancies and lower than budgeted backfills of planning staff

C. Engineering (Appendix 3)

Actual \$16.44M – Budget \$0.96M = Favourable variance \$15.48M

Engineering incurred a surplus of \$16.44M compared to a budgeted surplus of \$0.96M. The variance is due to higher than expected Engineering revenues of \$14.63M and

favourability in personnel of \$0.76M, from an average of two net temporary vacancies. Favourability in Engineering revenues was a result of unanticipated Engineering Fees collected, in particular, from the following major developments:

- \$5.3M from Robinson Fieldgate (FUA) (previously anticipated to come in 2021 to 2029)
- \$2.1M from Berczy Warden (previously anticipated to come in 2021 to 2024)
- \$2.0M from Berczy Azuria (previously anticipated to come in 2021 to 2025)
- \$1.8M from External Works (FUA) (previously anticipated to come in 2021 to 2024)
- \$0.9M from Berczy Elgin (previously anticipated to come in 2021 to 2023)

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

The Planning & Design and Engineering departments ended the year with a surplus of \$6.04M and a surplus of \$16.44M respectively. A transfer to the Reserve of \$22.48M will increase the balance from \$27.96M to \$50.46M. The year-end balance includes in-year interest adjustments and capital project funding transfers.

E. Building Standards (Appendix 5)

Actual (\$0.48M) – Budget (\$0.25M) = Unfavourable variance \$0.23M

The Building Standards department incurred a deficit of \$0.48M against a budgeted deficit of \$0.25M. The unfavourable variance was due to lower than expected Building revenues resulting from increased development activity.

A draw from the Reserve of \$0.48M will be made decreasing the balance from \$13.95 to \$13.50M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

F. Waterworks (Appendix 7)

Actual \$18.87M – Budget \$15.99M = Favourable variance \$2.88M

The Waterworks department incurred a surplus of \$18.44M against a budgeted surplus of \$15.99M. The main drivers for the favourable variance of \$2.88M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$0.45M due to less watermain breaks compared to budget
- The net sales and purchases of water is favourable to budget, driven by higher sales of water \$2.96M offset by higher purchases of water (\$1.14M). Year-to-date December average non-revenue water was 10.3% (NRW budgeted at 11%)
- Lower personnel costs resulting in a favourable variance of \$0.84M due to 3 temporary vacancies

Due to higher than budgeted transfers to capital in 2022 of \$26.69M, a transfer of \$18.87M from the Operating budget will offset this decrease to the Reserve resulting in a net decrease to the balance from \$75.96 to \$68.14M (see Appendix 8).

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.

The City's 2022 net operations favourable variance of \$2.91M will be transferred to the Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy.

The audited 2022 draft consolidated financial statements will be presented to General Committee in April 2023. 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:

Mark Visser
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 14](#)