



Report to: General Committee

Meeting Date: October 24th, 2023

SUBJECT: 2023 August Year-To-Date Results of Operations and Year-End Forecast
PREPARED BY: Jay Pak, Senior Manager Financial Planning and Reporting

RECOMMENDATION:

- 1) THAT the report titled “2023 August 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 2023 annual operating budget of \$444.72M on April 5, 2023 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 2023 August year-to-date operating results comparing actual to budget and includes a forecast of the year-end results.

A. Primary Operating Budget - Year-to-date August 2023 (Appendix 1)

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

All figures (actual, budget and variance) reflect the year-to-date August results (January to August).

	<u>YTD Aug 2023</u>		<u>Variance</u>	<u>% of</u>
<u>(\$ in millions)</u>	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	\$241.24	\$227.58	\$13.66	106.0%
Expenses	<u>168.70</u>	<u>172.53</u>	<u>3.83</u>	97.8%
Surplus excluding winter maintenance	72.54	55.05	17.49	
Winter Maintenance	<u>\$8.55</u>	<u>\$7.07</u>	<u>(\$1.47)</u>	120.8%
Net surplus including winter maintenance	<u>\$63.99</u>	<u>\$47.98</u>	<u>\$16.02</u>	

City's Surplus excluding winter maintenance

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Investment income	\$13.00 M	Salaries & benefits	\$0.30 M
Property tax penalty and interest	\$1.18 M	Contract service agreements	\$0.92 M
Federal and Provincial grants	\$0.77 M	Contingency Expense	\$0.91 M
Financial administrative & Legal fees	\$0.43 M	Professional services/ office supplies/ training/ travel	\$0.68 M
Licenses & Permits	\$0.42 M	Municipal Contracted Services	\$0.30 M
Tax levies	\$0.34 M	Utilities and Streetlight hydro	\$0.20 M
Supplemental Taxes	\$0.31 M	Operating materials & supplies	\$0.18 M
Recreation Services revenue	(\$2.80) M	Maintenance & repairs	\$0.11 M
Theatre, Art Centre and Museum revenue	(\$0.42) M	Insurance	\$0.10 M
Parking fines	(\$0.29) M	Communications	(\$0.15) M
Library revenue	(\$0.27) M		
Other	\$0.99 M	Other	\$0.28 M
Total	\$13.66 M	Total	\$3.83 M

Winter Maintenance

The 2023 actual winter maintenance expenditures at the end of the August totaled \$8.55M against a budget of \$7.07M, resulting in an unfavourable variance of \$1.47M.

Year-End Projection including year-end accounting accruals and other adjustments

The City is projecting to achieve 105.9% of the revenue budget and 99.6% of the expenditure budget.

This will result in a favourable variance (net surplus) of \$8.04M or 4.2% of the primary operating budget.

Projected Year-End Variance		Fav./ (Unfav.)
1. Primary operating budget (day-to-day operations)	\$ 15.53	M
2. Year-end accounting accruals and other adjustments	\$ (5.81)	M
Total	\$ 9.72	M
3. Winter maintenance variance	\$ (1.67)	M
Net Surplus*	\$ 8.04	M
*Note: Net Surplus includes planned year-end accruals and adjustments		

The main driver for the projected favourable variance is Investment Income. Investment Income has been higher than budget due to a higher Prime Rate; this trend, however, may not continue in future years. Any investment income in excess of the budget (\$14.40M) will be transferred to reserves at year-end as part of the usual surplus allocation process.

Other contributing drivers to a lesser extent on the revenue projection include higher property tax penalty and interest, supplemental taxes, and provincial grants, offset by

unfavourable variances in Recreation mainly due to the continued recovery of participation rates stemming from the COVID-19 Pandemic.

For the expense projection, the main drivers of the favourable variance include:

- 32 net temporary vacancies (net of approved leave of absences and temporary backfills);
- Lower than budgeted tax appeals;
- Recreation program expenses due to lower volume of programs;
- Lower expenditures in hydro and streetlight hydro due to lower than budgeted rates; and
- Corporate contingencies,
- Offset partially by: unfavourable variances in part-time salaries, and fire overtime;
- Payback to the Life Cycle for funds up fronted for the CHP system at Angus Glen capital project; and
- Budgeted transfer to pay back the Corporate Rate Stabilization Reserve.

The City's year-end accounting accruals and other adjustments include making additional expense provisions for firefighters' sick leave, post-employment and WSIB, severance and salary continuance, post-retirement benefits, and payroll accrual. The 2023 year-end accounting accruals and other adjustments are estimated at a net cost of (\$5.81M).

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.

**Winter Maintenance is projected to be unfavourable at year-end
between \$1.67M to \$2.00M**

Winter maintenance operations is projected to be unfavourable to budget by year-end between \$1.67M to \$2.00M based on an assumption of 40%-60% unfavourability for the last six weeks of the year.

The City received a total of \$18.47M in safe-restart funding and COVID-19 Recovery funding. By the end of 2023, \$14.15M of this funding will be allocated, with the remaining balance of \$4.32M available to be allocated in 2024.

The City received Phases 1 and 2 of 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 \$7.02M 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 2022, staff allocated an additional \$4.75M of the available funding to mitigate the loss of revenue in Recreation and Culture as well as other COVID impacts. Similarly, at the end of 2023, staff are projecting to allocate \$2.38M of the available funding to mitigate the loss of

revenue in Recreation and Culture with the remaining available balance of \$4.32M available to be utilized in 2024, which will fully spend the COVID-19 funding.

B. Planning & Design (Appendix 2)

YTD Actual \$4.59M – YTD Budget \$2.38M = YTD Favourable variance of \$2.21M

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$1.39M, compared to a budgeted deficit of \$1.66M. This will result in an additional transfer to the Development fee reserve of \$1.39M. The variance is primarily the result of higher than expected Planning revenues (\$1.36M), due to higher than anticipated development activity, and personnel favourability (\$1.59M) from the continuation of 5 net average vacancies and lower than budgeted backfills of planning staff through to year-end.

C. Engineering (Appendix 3)

YTD Actual \$1.21M – YTD Budget \$0.47M = YTD Favourable variance \$0.74M

Year-End Projection:

Engineering is projecting a year-end surplus of \$6.80M compared to a budgeted deficit of \$1.55M. This will result in an additional transfer to the Development Fee Reserve of \$6.80M. The variance is due to higher than expected Engineering revenues (\$7.75M) and favourability in personnel (\$0.50M), resulting from the continuation of 2 net average vacancies through to year-end.

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a surplus position of \$58.98M at year-end (see Appendix 4).

D. Building Standards (Appendix 5)

YTD Actual \$0.14M – YTD Budget (\$0.44M) = YTD Favourable variance \$0.584M

Year-End Projection:

Building is projecting a year-end surplus of \$0.16M compared to a budgeted deficit of \$0.80M. This will result in an additional transfer to Building fee reserve of \$0.16M. 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 \$13.25M at year-end (see Appendix 6).

E. Waterworks (Appendix 7)

YTD Actual \$12.46M – YTD Budget \$10.13M = YTD Favourable variance \$2.33M

Year-End Projection:

Waterworks is projected to be favourable to budget by \$0.17M, resulting in the transfer to reserve from the budget of \$16.82M to \$16.99M. The favourable variance is driven by lower personnel and non-personnel expenditures.

The Waterworks reserve balance is projected to be \$81.47M at year-end (see Appendix 8).

PURPOSE:

To report on the year-to-date actual 2023 operating budget results versus the budgeted 2023 operating budget as at August 31, 2023.

BACKGROUND:

Council approved the 2023 annual operating budget of \$444.72M on April 5, 2023 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 these departments' 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 Financial Planning staff.

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 – expenses) for the eight months ended August 31, 2023 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 August results (\$ in millions):

<u>Commission</u>	<u>YTD Aug 2023</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office, Human Resources and Legal	\$ 33.36	\$ 33.06	\$ (0.30)
Community & Fire Services (excl. winter maintenance)	\$ 46.81	\$ 47.62	\$ 0.81
Corporate Services	\$ 15.20	\$ 16.84	\$ 1.64
Development Services	\$ 4.53	\$ 4.97	\$ 0.44
Mayor & Council	\$ 1.92	\$ 2.03	\$ 0.11
Corporate Items	\$ (174.36)	\$ (159.56)	\$ 14.79
Net Expense/ (Revenue)	\$ (72.53)	\$ (55.05)	\$ 17.49

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

CAO's Office: Corporate Communications, Fire Services, People Services and Legal Department (Appendix 9)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office	0.60	0.57	\$ (0.03)
Corporate Communications	0.66	0.74	\$ 0.08
Fire Services	28.85	27.71	\$ (1.14)
People Services	2.19	2.66	\$ 0.47
Legal	1.06	1.38	\$ 0.32
Net Expense	\$ 33.36	\$ 33.06	\$ (0.30)

Corporate Communications (Actual \$0.66M – Budget \$0.74M = Variance \$0.08M)
Favourable variance of \$0.08M is mainly due to savings achieved in Internet Production.

Fire Services (Actual \$28.85M – Budget \$27.71M = Variance (\$1.14M))
Unfavourable variance of \$1.14M is mainly due to 10 supernumeraries (overcomplement) and overtime from 6 captains on leave of absence unable to be covered by supernumeraries.

People Services (Actual \$2.19M – Budget \$2.66M = Variance \$0.47M)
Favourable variance of \$0.47M is mainly due to a year-to-date average of six temporary net vacancies.

Legal Services (Actual \$1.06M – Budget \$1.38M = Variance \$0.32M)
Favourable variance is mainly due to timing in legal services \$0.11M and favourability in service charges of \$0.10M.

Community Services – excluding winter maintenance (Appendix 10)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	18.31	19.88	\$ 1.57
Library	10.40	10.39	\$ (0.01)
Recreation Services	8.72	6.79	\$ (1.93)
Environmental Services	0.61	0.78	\$ 0.17
Waste	8.67	9.46	\$ 0.79
Commissioner's Office	0.10	0.32	\$ 0.22
<u>Net Expense</u>	<u>\$ 46.81</u>	<u>\$ 47.62</u>	<u>\$ 0.81</u>

Operations (Actual \$18.31M – Budget \$19.88M = Variance \$1.57M)

Favourable variance is mainly due to a year-to-date average of eight temporary net vacancies for \$0.67M, timing in tipping fees (\$0.42M), diesel fuel (\$0.20M), building maintenance (\$0.08M) and road occupancy permits revenue for (\$0.35M), partially offset by unfavourability in sport fields revenue (\$0.16M).

Recreation Services (Actual \$8.72M – Budget \$6.79M = Variance (\$1.93M))

Unfavourable variances in ice, gym, pool and soccer rentals totaling (\$0.43MM), spring aquatic and program registration fees totaling (\$1.26M), fitness programs (\$0.69M), and camps (\$0.49M) are partially offset by full time savings of \$0.35M due to a year-to-date average of six temporary net vacancies, utilities \$0.21M, and contracted services \$0.40M. The unfavourable revenue variances are the result of lagging demand and capacity restrictions stemming from the COVID-19 pandemic. It is anticipated that the Recreation department will have a \$2.43M unfavourable variance by year-end.

Environmental Services (Actual \$0.61M – Budget \$0.78M = Variance \$0.17M)

Favourable variance is due to a year-to-date average of one temporary net vacancy and unbudgeted salary recoveries.

Waste (Actual \$8.67M – Budget \$9.46M = Variance \$0.79M)

Favourable variance is due to the receipt of higher revenue from Waste Diversion Ontario (WDO) (\$0.38M) and waste collection (\$0.33M).

Commissioner's Office (Actual \$0.10M – Budget \$0.32M = Variance \$0.22M)

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

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services	1.88	1.95	\$ 0.07
By-Law Services	1.14	0.63	\$ (0.51)
Financial Services	2.54	3.10	\$ 0.56
ITS	7.56	8.60	\$ 1.04
Sustainability & Asset Management	1.81	2.27	\$ 0.46
Commissioner's Office	0.27	0.29	\$ 0.02
<u>Net Expense</u>	\$ 15.20	\$ 16.84	\$ 1.64

Legislative Services (Actual \$1.88M – Budget \$1.95M = Variance \$0.07M)

Favourable variance is mainly due to a year-to-date average of four temporary net vacancies (\$0.25M), partially offset by other contracted services related to wildlife education, euthanasia, and vet care (\$0.05M) and revenue shortfalls in taxi, dog and marriage licenses (\$0.17M).

By-Law Services (Actual \$1.14M – Budget \$0.63M = Variance (\$0.51M))

Unfavourable variance is mainly due to shortfalls in Parking violations (\$0.28M) (83% of YTD Budget), By-Law infractions (\$0.11M), monthly parking permits (\$0.12M), and compliance letters (\$0.12M), partially offset by a year-to-date average of eight temporary net vacancies (\$0.28M).

Financial Services (Actual \$2.54M – Budget \$3.10M = Variance \$0.56M)

Favourable variance is mainly due to other professional fees (\$0.05M), a year-to-date average of five temporary net vacancies (\$0.38M), and favourable revenue in finance user fees (\$0.09M).

ITS (Actual \$7.56M – Budget \$8.60M = Variance \$1.04M)

Favourable variance is mainly due to a year-to-date average of five temporary net vacancies (\$0.53M) and favourable variances in computer hardware and software maintenance (\$0.51M).

Sustainability & Asset Management (Actual \$1.81M – Budget \$2.27M = Variance \$0.46M)

Favourable variance is mainly due to a year-to-date average of three temporary net vacancies (\$0.16M) and less than budgeted spending in building maintenance, security and janitorial services (\$0.11M), and utilities (\$0.04M).

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Economic Growth, Culture & Entrepreneurship	2.63	2.69	\$	0.06
Community & Corporate Events	0.25	0.28	\$	0.03
Traffic Operations	0.98	1.26	\$	0.28
Commissioner's Office	0.67	0.74	\$	0.07
Net Expense	\$ 4.53	\$ 4.97	\$	0.44

Economic Growth, Culture and Entrepreneurship

(Actual \$2.63M – Budget \$2.69M = Variance \$0.06M)

Favourability is mainly due to higher than budgeted provincial grants in Economic Development.

Art Centres and Theatre unfavourability of (\$0.06M) is offset by favourability at the Museum \$0.05M.

The Theatre is anticipated to be unfavourable by (\$0.34M), while the Art Centres are anticipated to be unfavourable by (\$0.06M), and the Museum is anticipated to be favourable by \$0.11M by year-end.

Traffic Operations (Actual \$0.98M – Budget \$1.26M = Variance \$0.28M)

Favourable variance is mainly due professional services (school crossing guards) (\$0.17M) and traffic signal maintenance.

Commissioner's Office (Actual \$0.67M – Budget \$0.74M = Variance \$0.07M)

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

Mayor & Council (Appendix 13)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Mayor & Council	\$ 1.92	\$ 2.03	\$	0.11
Net Expense	\$ 1.92	\$ 2.03	\$	0.11

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

Corporate Items (Appendix 14)

<u>Department</u>	<u>YTD Aug 2023</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Corporate Items	\$ (174.36)	\$ (159.56)	\$	14.79
Net Revenue	\$ (174.36)	\$ (159.56)	\$	14.79

Favourable variance is mainly due to investment income of \$13.0M due to a higher Prime Rate, and property tax penalty and interest of \$1.18M. As of the end of September, the City has mailed out 12,000 overdue property tax notices in comparison to an annual average of 13,000 in 2021 and 2022.

Other drivers for the favourable variance include lower than budgeted corporate contingency of \$0.91M.

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

At the end of August, the actual operating results excluding winter maintenance, against budget netted a favourable variance of \$17.49M and the breakdown is as follows:

REVENUES

At the end of August, revenues totalled \$241.24M against a budget of \$227.58M, resulting in a favourable variance of \$13.66M or 106.0% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 180.26 M	\$ 179.53 M	\$ 0.73 M
General Revenues	\$ 32.77 M	\$ 18.90 M	\$ 13.87 M
User Fees & Service Charges	\$ 21.07 M	\$ 24.21 M	(\$ 3.14 M)
Grant & Subsidy Revenues	\$ 1.77 M	\$ 0.99 M	\$ 0.78 M
Other Income	\$ 5.37 M	\$ 3.95 M	\$ 1.42 M
Net Variance	\$ 241.24 M	\$ 227.58 M	\$ 13.66 M

Property Taxation Revenues (Actual \$180.26M – Budget \$179.53M= Variance \$0.73M)
Property taxation revenue YTD budget includes property tax levy.

General Revenues (Actual \$32.77M – Budget \$18.90M = Variance \$13.87M)

The general revenues YTD budget of \$18.90M includes investment income (budget \$11.26M), property tax penalty and interest (budget \$3.49M), parking fines (budget \$2.40M) and business, taxi, marriage and other licenses (budget \$1.75M).

General revenues also include Alectra interest and dividends (annual budget \$18.69M) 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 \$32.77M at the end of August against a YTD budget of \$18.90M. The main drivers for the favourable variance of \$13.87M are mainly due to Favourable variance mainly due to investment income (\$13.0M) due to a higher Prime Rate, and the property tax late payment revenue (penalty and interest) of \$1.18M from higher annual property tax arrears. As of the end of September 2023, there was approximately 12,000 properties with arrears in comparison to an average of 13,000

properties in 2021 and 2022. This decrease in the volume of properties with arrears is offset by higher annual property taxes.

User Fees and Service Charges (Actual \$21.07M – Budget \$24.21M = Variance (\$3.14M))

The user fees and services charges YTD budget of \$24.21M 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 \$16.20M), and facility rentals for arenas, pools, gym and halls (budget \$7.60M).

User fees and service charges were unfavourable by (\$3.14M), the main drivers of which were unfavourable Recreation user fees and rentals (\$2.78M) and Theatre, Museum and Arts Centres user fees and rentals (\$0.59M) due to the lagging demand and capacity restrictions stemming from the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$1.77M – Budget \$0.99M = Variance \$0.78M)

The YTD budget includes Provincial and Federal grants of \$0.99M. The favourable variance of \$0.78M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$5.37M – Budget \$3.95M = Variance \$1.42M)

The favourable variance of \$1.42M is mainly due to financial services admin fees (\$0.40M), and smaller variances under \$0.05M.

PERSONNEL EXPENDITURES

At the end of August, personnel expenditures were favourable by \$0.17M or spending of 99.8% 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	\$ 96.16 M	\$ 96.50 M	\$ 0.33 M
Overtime and other personnel costs	\$ 2.51 M	\$ 1.43 M	(\$ 1.07 M)
Total	\$ 98.67 M	\$ 98.84 M	\$ 0.17 M

At the end of August, there were 56 net temporary vacancies resulting in a favourable variance of \$1.59M compared to 40 net temporary vacancies at the same time last year. The main driver for the increase is from the Fire Department due to approved leaves of absence for positions that cannot be backfilled through supernumerary (increase of 8 year over year).

Part-time salaries were (\$0.56M) unfavourable, coupled with budgeted salary gapping of (\$0.70M) netting a favourable variance of \$0.33M.

Overtime and other personnel costs were unfavourable by (\$1.07M), mainly driven by Fire overtime.

NON-PERSONNEL EXPENDITURES

At the end of August, non-personnel expenditures were favourable by \$2.89M or spending of 96.0% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 4.40 M	\$ 4.61 M	\$ 0.21 M
Procured Services	\$ 31.92 M	\$ 34.52 M	\$ 2.60 M
Transfers to Reserves	\$ 32.45 M	\$ 32.13 M	(\$ 0.32 M)
Other Expenditures	\$ 1.13 M	\$ 1.53 M	\$ 0.40 M
Total	\$ 69.90 M	\$ 72.79 M	\$ 2.89 M

Materials & Supplies (Actual \$4.40M – Budget \$4.61M = Variance \$0.21M)

Materials & supplies YTD budget of \$4.61M includes facility maintenance supplies, uniforms, recreation and other program supplies, vehicle supplies such as fuel and repair parts, and printing and office supplies.

The favourable variance of \$0.21M is primarily due to vehicle fuel (gas and diesel lower than budgeted volumes) and parts \$0.20M.

Procured Services (Actual \$31.92M – Budget \$34.52M = Variance \$2.60M)

Procured services YTD budget of \$34.52M includes utilities and streetlight hydro, waste collection, maintenance & repairs of City assets, insurance, and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services. Procured Services were favourable by \$2.60M primarily due to:

- \$0.92M favourable in contract service agreements (facility maintenance contracts)
- \$0.68M favourable in professional fees, training, school crossing guards, and travel (excl. office supplies, which is included under materials & supplies)
- \$0.20M favourable in utilities and streetlight hydro primarily due to lower than budgeted hydro rates offset by rising natural gas rates
- \$0.30M waste collection

Transfers to Reserves (Actual \$32.45M – Budget \$32.13M = Variance (\$0.32M))

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

Other Expenditures (Actual \$1.13M – Budget \$1.53M = Variance \$0.40M)

Other expenditures YTD budget of \$1.53M includes contingency expense, non-personnel ramp ups, and property tax adjustments. Year to date variance of \$0.40M is mainly due to lower corporate contingency expenditures of \$0.91M.

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

Winter Maintenance Operations is projected to be unfavourable at year-end between \$1.67M to \$2.00M

Winter maintenance operations is projected to be unfavourable to budget by year-end between \$1.67M to \$2.00M based on an assumption of 40%-60% unfavourability for the last six weeks of the year.

The City received a total of \$18.47M in safe-restart funding and COVID-19 Recovery funding. By the end of 2023, \$14.15M of this funding will be allocated with the remaining balance of \$4.32M available to be allocated in 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 \$7.02M 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 2022, staff allocated an additional \$4.75M of the available funding to mitigate the loss of revenue in Recreation and Culture as well as other COVID impacts. Similarly, at the end of 2023, staff are projecting to allocate \$2.38M of the available funding to mitigate the loss of revenue in Recreation and Culture with the remaining available balance of \$4.32M to be utilized in 2024, which will fully spend the COVID-19 funding.

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	2024	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	5,717,974	-	4,746,580	2,383,925		12,848,479
Provision for future tax appeals	1,300,000	-	-			1,300,000
COVID Recovery funding to address 2024 budget pressures	-	-			4,318,332	4,318,332
	7,017,974	-	4,746,580	2,383,925	4,318,332	18,466,811

Primary Operating budget is projected to be favourable at year-end by \$8.04M

Based on current information, staff are forecasting a year-end surplus in the primary operating budget of \$8.04M.

There are several one-time items contributing to the City's 2023 primary operating budget year-end projection of \$8.04M. This is primarily driven by:

-
- \$14.11M favourable in investment income net of year-end transfer to the Capital gains reserve (\$5.29M) primarily due to higher prime rates (a trend which may not continue in the long term)
 - \$3.23M favourable in corporate contingency (Budget \$3.23M, 1.2% of the City's Operating Budget of \$267.62M)
 - \$1.70M favourable in penalty and interest due to higher than anticipated overdue property tax payments
 - \$2.64M COVID relief funding to mitigate against lost Recreation and Culture revenue
 - \$0.80M in Supplemental taxes, Tax levies, and Payments-in-lieu
 - \$0.60M favourable in Waste due to increased WDO revenue (until 2026)
 - (\$5.81M) in year-end accounting adjustments including provisions for Firefighter sick leave, Post-employment benefits, WSIB, Salary continuance
 - (\$5.10M) in Recreation revenue due to lagging demand expected to back up to normal levels after 2024
 - (\$2.37M) payback to the Corporate Rate Stabilization Reserve
 - (\$1.82M) payback to the Life Cycle Reserve for CHP system at Angus Glen
 - \$0.06M Other one one-time items less than \$0.05M

Total: \$8.04M

Historically over the past 5 years (2015-2019) prior to the pandemic, 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 \$267.62M).

The Primary Operating budget is projected to be favourable at year-end by \$8.04M. After adjusting for one-time items, the City's remaining forecasted surplus will be minimal.

B. Planning & Design (Appendix 2)

Actual \$4.59M – Budget \$2.38M = Favourable variance \$2.21M
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At the end of August, the Planning department had a surplus of \$4.59M against a budgeted surplus of \$2.38M. The favourable variance of \$2.21M was mainly due to higher than budgeted planning & design fees of \$1.19M and full time salaries favourability of \$0.95M due to a year-to-date average of ten temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$1.39M compared to a budgeted deficit of \$1.66M. This will result in an additional transfer to the Development fee reserve of \$1.39M. The variance is primarily the result of higher than expected Planning revenues (\$1.36M) resulting from higher than anticipated development activity and personnel favourability (\$1.59M) from the continuation of 5 net average vacancies and lower than budgeted backfills of planning staff through to year-end.

C. Engineering (Appendix 3)

Actual \$1.21M – Budget \$0.47M = Favourable variance \$0.74M
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At the end of August, the Engineering Department had a surplus of \$1.21M against a budgeted surplus of \$0.47M. The favourable variance of \$0.74M was mainly due to higher than budgeted Engineering fees and full time salaries favourability of \$0.33M due to a year-to-date average of five temporary net vacancies.

Year-End Projection:

Engineering is projecting a year-end surplus of \$6.80M compared to a budgeted deficit of \$1.55M. This will result in an additional transfer to the Development fee reserve of \$6.80M. The variance is due to higher than expected Engineering revenues (\$7.75M) and favourability in personnel (\$0.50M), from the continuation of 2 net average vacancies through to year-end.

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a surplus position of \$58.98M at year-end (see Appendix 4).

D. Building Standards (Appendix 5)

Actual \$0.14M – Budget (\$0.44M) = Favourable variance \$0.58M
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At the end of August, the Building Standards department had a surplus of \$0.14M against a budgeted deficit of (\$0.44M). The favourable variance of \$0.58M was mainly due to higher building permit fees received of \$0.47M and full time salaries favourability of \$0.12M due to a year-to-date average of five temporary net vacancies.

Year-End Projection:

Building is projecting a year-end surplus of \$0.16M compared to a budgeted deficit of \$0.80M. This will result in an additional transfer to the Building fee reserve of \$0.16M. 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 \$13.25M at year-end (see Appendix 6).

E. Waterworks (Appendix 7)

Actual \$12.46M – Budget \$10.13M = Favourable variance \$2.33M
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At the end of August, the Waterworks department had a surplus of \$12.46M against a budgeted surplus of \$10.13M. The main drivers for the favourable variance of \$2.33M were as follows:

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- Higher water purchases of (\$2.90M) is offset by higher water sales of \$4.09M, resulting in net sales and purchase of \$1.18M. Year-to-date June average actual non-revenue water was 11.2% (NRW budgeted at 11%).
 - Lower personnel costs resulting in a favourable variance of \$0.61M mainly due to temporary vacancies.
 - Higher Other Revenue is favourable of \$0.44M resulting from retroactive bulk water use charges at the new Fairtree & Berczy developments in the City, as well as higher water meter removals and backflow preventer installations
 - Lower non-personnel costs resulting in a favourable variance of \$0.09M due to lower operating and water, sewer and roadwork materials and supplies cost

Year-End Projection:

Waterworks is projected to be favourable to budget by \$0.17M, resulting in an increase in the transfer to Waterworks reserve from the budget of \$16.82M to \$16.99M. The favourable variance is driven by lower personnel and non-personnel expenditures.

The Waterworks reserve balance is projected to be \$81.47M at year-end (see Appendix 8).

FINANCIAL CONSIDERATIONS

While the Council approved Financial Planning and Budgeting Policy states that 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, and secondly to replenish the expenditures in the Environmental Land Reserve Fund and finally transferred to the Life Cycle Replacement and Capital Reserve Fund, the current balances of the Corporate Rate Stabilization Reserve and Environmental Land Reserve Fund do not necessitate a transfer at year-end. The full amount of any year-end surplus is therefore planned to be transferred to the Life Cycle Replacement and Capital Reserve Fund.

Staff will continue to monitor the results of operations on a monthly basis. The next report will be in Q1 2024 to report on the actual, realized year-end results of operations for 2023.

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:

Joseph Silva
Treasurer

Trinela Cane
Commissioner Corporate Services

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

Appendix 1 – Primary Operating Budget - Financial Results for the Eight Months Ended August 31, 2023

Appendix 2 – Planning & Design Operating Budget - Financial Results for the Eight Months Ended August 31, 2023

Appendix 3 – Engineering Operating Budget - Financial Results for the Eight Months Ended August 31, 2023

Appendix 4 – Planning & Engineering Development Fee Reserve Balance as at August 31, 2023

Appendix 5 – Building Standards Operating Budget - Financial Results for the Eight Months Ended August 31, 2023

Appendix 6 – Building Fee Reserve Balance as at August 31, 2023

Appendix 7 – Waterworks Operating Budget - Financial Results for the Eight Months Ended August 31, 2023

Appendix 8 – Waterworks Reserve Balance as at August 31, 2023

Appendix 9 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – CAO's Office, Human Resources and Legal Department

Appendix 10 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – Community and Fire Services

Appendix 11 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – Corporate Services

Appendix 12 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – Development Services

Appendix 13 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – Mayor & Council

Appendix 14 – Variances by Commission and Department for the Eight Months ended August 31, 2023 – Corporate Items