

Staff Report



Financial Services Department

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REPORT TO: Committee of the Whole

DATE OF MEETING: August 28, 2023

SUBMITTED BY: Ryan Hagey, Director of Financial Planning & Asset Management,
519-741-2200 ext. 7353

PREPARED BY: Debbie Andrade, Manager of Budgets, 519-741-2200 ext. 7114

WARD(S) INVOLVED: All Ward(s)

DATE OF REPORT: August 3, 2023

REPORT NO.: FIN-2023-370

SUBJECT: June 2023 Variance Report

RECOMMENDATION:
For Information

REPORT HIGHLIGHTS:

- The purpose of this report is to provide an update on financial results for City operations.
- Tax supported operations are projecting a surplus of \$1,275,000.
- Most enterprise operations (non-tax supported business lines) are projecting surpluses.
- This report supports the delivery of core services.

EXECUTIVE SUMMARY:

This is the first variance report to Council regarding the City's financial performance versus the 2023 budget. The report and attached schedules include information regarding:

- Tax supported operations
- Rate supported enterprises/utilities, and
- Supplementary information related to investment income

REPORT:

Overall staff is projecting the City's tax supported results for 2023 will be a surplus of \$1,275,000. The major contributors to the overall positive variance are the projected surpluses in Planning, Facilities Management and Gapping. These positive variances are offset in part by projected deficits in Corporate Communications, Parks and Cemeteries, Operations Road and Traffic and Contract Services. More details about each of the City's tax supported divisions are provided in the report below and in Schedule 1.

The City's enterprise (non-tax supported business lines) results to the end of June show most of the enterprises have results that were better than budgeted. However, in the rate supported operations Parking is projecting a deficit due to lower than anticipated revenues as a result of reduced monthly and hourly parking demands related to hybrid working environments. More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

Significant projected tax supported variances (over \$200,000) are summarized below. Additional details are provided in Schedule 1 for projected variances that exceed \$100,000.

Operating Fund – Tax Base (Schedule 1)

Staff is projecting the City's tax supported results for 2023 will be a surplus of \$1,275,000.

Significant Projected Variances (over \$200,000)

Development Services Department:

- Planning is projecting a surplus of \$320,000 due to higher than anticipated revenues for site plans.

Infrastructure Services Department:

- Facilities Management is projecting a surplus of \$365,000 due to reduced utility costs compared to budget. These savings are partially offset by increased material and labour costs to address increasing maintenance requirements due to aging facilities.
- Operations – Roads and Traffic is projecting a deficit of \$360,000 due to increased material prices for items such as asphalt paint and road salt in addition to increased contracted services costs for snow removal.

General Expense:

- Gapping is projecting a surplus of \$985,000 due to staff savings resulting from vacancies.
- Contract Services is projecting a deficit of \$225,000 due to increased costs related to the existing contract with the Humane Society.

Enterprises – (Schedules 2 to 8)

Five of the City's seven enterprises are projecting year end surpluses. Details of each enterprise are noted below.

Building Enterprise (Schedule 2)

The Building Enterprise is projecting a surplus of \$388,000 due to staff vacancies which are slightly offset by reduced revenues from a decline in the number of new construction builds. The interest rate hikes over the last year has slowed the purchases of residential buildings.

Golf Enterprise (Schedule 3)

The Golf Enterprise is not projecting a year end surplus or deficit.

Parking Enterprise (Schedule 4)

The Parking Enterprise has an approved deficit budget of \$1,531,000 and is projecting a further deficit of \$180,000 due to reduced monthly and meter revenues which are offset in part by staff vacancies and the elimination of the Lot 2 - Queen Street North surface lot lease. A balance of \$703,000 remains in Safe Restart & COVID-19 Recovery Funding received from the Federal and Provincial governments. This will be used to help offset any deficit in Parking due to the remaining impacts from the pandemic.

Water Utility (Schedule 5)

The Water Utility is projecting a surplus of \$2,255,000 due to increased volume of water sold as a result of the warmer weather.

Sanitary Sewer Utility (Schedule 6)

The Sanitary Sewer Utility is projecting a surplus of \$5,813,000 due to higher than budgeted revenues, which is consistent with increased volume sales also noted in the Water utility. Additionally, operating expenses are projected to be down due to resource gaps resulting in decreased preventative maintenance.

Stormwater Utility (Schedule 7)

The Stormwater Utility is projecting a slight surplus of \$17,000 due to marginally higher stormwater revenues and projected staff savings.

Gas Utility (Schedule 8)

The Gas Utility (Total) is projecting a surplus of \$2,012,000.

- Gas Delivery is projecting a deficit due to a warmer than expected winter which reduced volume of gas sold in addition to increased locator costs.
- Other Programs (Rental Water Heaters and KU Dispatch) is projecting a deficit due to higher depreciation costs and increased carrying costs.
- Gas Supply is projecting a surplus due to reduced operating expenses as a result of lower volumes of gas sold and favourable hedging strategies.

Investment Report (Schedule 9)

All investments made were in accordance with the City's investment policy. Short-term investment yields to date have averaged 3.99% which is higher than the average interest rate of 2.79% for all of 2022.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

Financial implications are discussed above and detailed in the attached schedules.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:

There are no previous reports/authorities related to this matter.

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS:

- Schedule 1: Statement of Operations – Tax Supported Services
- Schedule 2: Statement of Operations – Building
- Schedule 3: Statement of Operations – Golf
- Schedule 4: Statement of Operations – Parking
- Schedule 5: Statement of Operations – Water
- Schedule 6: Statement of Operations – Sanitary Sewer
- Schedule 7: Statement of Operations – Stormwater
- Schedule 8: Statement of Operations – Gas
- Schedule 9: Investment Report