

Staff Report



Financial Services Department

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REPORT TO: Committee of the Whole

DATE OF MEETING: December 11, 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 Wards

DATE OF REPORT: November 21, 2023

REPORT NO.: FIN-2023-537

SUBJECT: September 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 \$3,260,000.
- Most enterprise operations (non-tax supported business lines) are projecting surpluses.
- This report supports the delivery of core services.

EXECUTIVE SUMMARY:

This is the second 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 \$3,260,000. The major contributors to the overall positive variance are the projected surpluses in Planning, Supplementary Taxes, Penalties and Interest, and Gapping. These positive variances are offset in part by projected deficits in Sport, Corporate Communications, Facilities Management, Parks and Cemeteries, 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 September show most of the enterprises have results that were better than budgeted. However, 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 \$3,260,000.

Significant Projected Variances (over \$200,000)

Corporate Services Department:

- Corporate Communications is projecting a deficit of \$200,000 due to reduced advertising and sponsorship revenue as well as increased printing expenses.

Development Services Department:

- Planning is projecting a surplus of \$805,000 due to higher than anticipated revenues for Site Plans as well as Official Plan and Zoning By-Law Amendments.

Infrastructure Services Department:

- Parks and Cemeteries is projecting a deficit of \$285,000 due to reduced crematorium revenues as well as increased operating and maintenance costs.

General Expenses:

- Gapping is projecting a surplus of \$1,375,000 due to staff savings resulting from vacancies.

General Revenues:

- Supplementary Taxes/Write-Offs is projecting a surplus of \$750,000 due to higher than expected supplementary revenues as well as lower than expected tax appeal write-offs.
- Penalties and Interest is projecting a surplus of \$500,000 due to an increase in overall property tax receivable balances.

Enterprises – (Schedules 2 to 8)

Six 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 \$2,757,000 due to higher than expected revenues for new rental housing projects in the mid- and high-rise categories and cost savings related to staff vacancies.

Golf Enterprise (Schedule 3)

The Golf Enterprise is projecting a year end surplus of \$190,000 due to higher than budgeted green fee revenue which is offset in part by higher than budgeted wages and increased credit card fees.

Parking Enterprise (Schedule 4)

The Parking Enterprise has an approved deficit budget of \$1,531,000 and is projecting a further deficit of \$440,000 due to reduced monthly and meter revenues which are offset in part

by staff vacancies and the loss of a surface parking lot due to a terminated 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 \$2,079,000 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 \$5,441,000 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 \$140,000 due to higher stormwater revenues from increased development and projected staff vacancies.

Gas Utility (Schedule 8)

The Gas Utility (Total) is projecting a surplus of \$1,360,000.

- Gas Delivery is projecting a surplus of \$786,000 due to rate increase as of September.
- Other Programs (Rental Water Heaters and KU Dispatch) is projecting a deficit of \$1,292,000 due to higher depreciation costs of rental water heaters and increased carrying costs.
- Gas Supply is projecting a surplus of \$1,866,000 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 4.52% which is higher than the average interest rate of 3.44% 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