

# Staff Report



Financial Services Department

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**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** December 12, 2022

**SUBMITTED BY:** Ryan Hagey, Director of Financial Planning and Reporting, 519-741-2200 Ext 7353

**PREPARED BY:** Debbie Andrade, Manager of Budgets, 519-741-2200 Ext 7114

**WARD(S) INVOLVED:** All

**DATE OF REPORT:** November 7, 2021

**REPORT NO.:** FIN-2022-484

**SUBJECT:** September 2022 Variance Report

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## 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 \$1,178,000.
- This report supports the delivery of core services.

## BACKGROUND:

This is the second variance report to Council regarding the City's financial performance versus the 2022 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 2022 will be a surplus of \$1,178,000. The major contributors to the overall positive variance are the projected surpluses in investment income, penalties and interest, facilities management and gapping savings. These positive variances are offset in part by deficits in Sport, Emergency Operations Centre and the May 2022 Storm Event. As COVID-19 related restrictions carried into 2022 causing facility closures and reduced programming these areas continued to be impacted for the first half of 2022 with considerable losses in income for room rentals, admissions, and registration fees. Furthermore, on May 21, 2022 the City was impacted by the severe windstorm which occurred across Ontario causing damage and requiring additional cleanup costs primarily in Forestry.

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, in the rate supported operations, Parking has an unfavourable variance due to lower than anticipated revenues because of reduced monthly and hourly parking demands related to hybrid working environments. Additionally, Golf has an unfavourable variance due to increased expenses resulting from unexpected food and beverage equipment repairs.

More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

In 2020/2021, the City received a total of \$20.4M in Safe Restart & COVID-19 Recovery funding from the Federal and Provincial governments. The City used \$9.04M of this funding to address its 2020 deficits and \$8.22M to fund its 2021 deficits. This means the City is carrying forward \$3.14M of funding and will be sufficient to fund the year-to-date deficit in the Parking and Golf enterprise without requiring a draw from the City's stabilization reserve. Any carryover funding will help the City deal with any continuing negative financial impacts of COVID-19 that extend into 2022 and beyond.

The table below shows the amount of Safe Restart funding received, how it was applied, and the amounts remaining to be employed in 2022.

### Safe Restart Funding Continuity

	2020 Actual Deficit	2021 Actual Deficit	Total Deficit	2020 Federal	2021 Federal	2021 Provincial	Total Funding	Balance Available
<b>Tax</b>	\$ 5,062,000	\$ 4,651,260	\$ 9,713,260	\$ 8,472,000	\$ 1,692,762	\$ 2,441,171	\$ 12,605,933	\$ 2,892,673
<b>Parking</b>	\$ 2,263,000	\$ 3,060,435	\$ 5,323,435	\$ 2,852,000	\$ 673,139	\$ 2,030,861	\$ 5,556,000	\$ 232,565
<b>Golf</b>	\$ 596,000	\$ 509,128	\$ 1,105,128	\$ 619,000	\$ 146,099	\$ 349,901	\$ 1,115,000	\$ 9,872
<b>Utilities</b>	\$ 1,119,000	\$ -	\$ 1,119,000	\$ 1,119,000	\$ -		\$ 1,119,000	\$ -
<b>Total</b>	\$ 9,040,000	\$ 8,220,823	\$ 17,260,823	\$ 13,062,000	\$ 2,512,000	\$ 4,821,933	\$ 20,395,933	\$ 3,135,110

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 2022 will be a surplus of \$1,178,000 .

### Significant Projected Variances (over \$200,000)

#### Community Services Department:

- Neighbourhood Programs & Services is projecting a deficit of \$230,000 due to reduced revenues as programs and rentals were negatively impacted due to COVID-19 restrictions in early 2022.
- Sport is projecting a deficit of \$2,180,000 due to reduced revenues as programs and rentals were negatively impacted from the COVID-19 restrictions in early 2022.

#### Corporate Services Department:

- Corporate Communications is projecting a deficit of \$230,000 due to reduced advertising and sponsorship revenue

#### Development Services Department:

- Planning is projecting a surplus of \$220,000 due to higher than anticipated revenues for site plans.
- Engineering is projecting a surplus of \$250,000 because of increased revenues from site plans and service charges.

#### Infrastructure Services Department:

- Facilities Management is projecting a surplus of \$850,000 due to reduced utility costs compared to budget, as some City facilities closed and/or operated at reduced capacity due to COVID-19 restrictions in early 2022.
- Parks and Cemeteries is projecting a deficit of \$360,000 due to a significant winter as well as increased costs associated with the downtown operations and increasingly elevated demand for maintenance to playground equipment.
- Operations – Roads and Traffic is projecting a surplus of \$375,000 which relates to external billables stemming from heavier winter billings.

#### General Expense:

- Gapping is projecting a surplus of \$2,965,000 due to staff savings related to regular vacancies and COVID-19, as a number of staff whose facilities or programs were suspended during the pandemic were put on designated emergency leave (DEL) or infectious disease emergency leave (IDEL) allowing them to take advantage of various income support programs offered by the Federal government such as the Canada Emergency Response Benefit (CERB).
- Contract Services is projecting a deficit of \$215,000 due to increased costs related to the existing contract with the Humane Society.
- Emergency Operations Centre is projecting a deficit of \$785,000 due to the COVID-19 pandemic. Example of costs include:
  - Purchases of personal protective equipment and other health & safety supplies
  - Staff overtime related to managing the City's COVID-19 response
  - Additional cleaning and minor retrofits of City facilities
- May 2022 Storm Event is projecting a deficit of \$1,100,000 due to the additional cleanup costs related to the severe windstorm which occurred on May 21, 2022 across Ontario. These costs will be transferred to the weather control reserve at year end.

#### General Revenues:

- Investment income is projecting a surplus of \$650,000 due to rapid Bank of Canada rate increases since March 2022.
- Penalties and Interest is projecting a surplus of \$650,000 due to an increase in overall property tax receivable balances.

### Enterprises – (Schedules 2 to 8)

For the period of January to June, total enterprise results are \$3.8M better than budget. Five of the City's seven enterprises are projecting surpluses. Details of each enterprise are noted below.

#### Building Enterprise (Schedule 2)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Building</b>	(\$1,318)	(\$1,326)	\$8

The Building Enterprise is essentially on budget, with a small favourable variance of \$8,000. Lower than budgeted revenues as a result of a decline in the number of new construction builds is completely offset by due to lower than budgeted expenses due to staff vacancies.

#### Golf Enterprise (Schedule 3)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Golf</b>	\$197	\$268	(\$71)

The Golf Enterprise has an unfavourable variance of \$71,000 primarily due to higher than budgeted expenses in food and beverage equipment and a change in the proshop model.

#### Parking Enterprise (Schedule 4)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Parking</b>	(\$1,077)	(\$212)	(\$865)

The Parking Enterprise has an unfavourable variance of \$865,000 as revenues are significantly lower than budget due to reduced monthly and hourly parking demands related to new hybrid working environments. Any deficit realized at year end will be funded from the Safe Restart Funding as the negative variance is as a result of the COVID-19 pandemic.

#### Water Utility (Schedule 5)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Water</b>	\$1,007	\$194	\$813

The Water Utility has a favourable variance of \$813,000 due to higher than budgeted volume in water sales as a result of a dry spring/summer in addition to lower than budgeted administration costs due to a higher allocation of costs to capital.

#### Sanitary Sewer Utility (Schedule 6)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Sanitary Sewer</b>	\$6,037	\$807	\$5,230

The Sanitary Sewer Utility has a favourable variance of \$5,230,000. Sewer surcharge revenues are higher than budgeted, which is consistent with increased volume sales also noted in the Water utility. Additionally, sewage processing costs were far less than budget due to the dry spring and early summer. These favourable variances are slightly reduced by increased maintenance costs from unforeseen emergency repair costs for the Ottawa Street trunk sanitary sewer.

#### Stormwater Utility (Schedule 7)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Stormwater</b>	\$875	\$600	\$275

The Stormwater Utility has a favourable variance of \$275,000 as a result of higher than budgeted stormwater fee revenues from increased development and lower than budgeted costs related to staff savings.

#### Gas Utility (Schedule 8)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
<b>Gas Utility (Total)</b>	(\$760)	(\$2,562)	\$1,802
<b>Gas Delivery</b>	(\$1,439)	(\$2,061)	\$622
<b>Gas Supply</b>	\$679	(\$500)	\$1,179

The Gas Utility (Total) has a favourable variance of \$1,802,000. The majority of this variance is due to gas sales revenues higher than budget from increased gas consumption because of the cold winter at the beginning of the year.

#### Investment Report (Schedule 9)

All investments made were in accordance with the City's investment policy. Short-term investment yields to date have averaged 1.78%, and are above the average interest rate of 1.32% for all of 2021.

**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, Financial Services

**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