

Staff Report

Financial Services Department



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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: December 6, 2021

SUBMITTED BY: Ryan Hagey, Director of Financial Planning & Reporting

PREPARED BY: Debbie Andrade, Manager of Budgets

WARD(S) INVOLVED: All Wards

DATE OF REPORT: November 16, 2021

REPORT NO.: FIN-2021-64

SUBJECT: September 2021 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 deficit of \$7.4M, largely due to COVID-19. This size of deficit is to be expected based on the ongoing nature of the pandemic.
- The City is well positioned to cover any deficits due to COVID-19 by funding provided by the Federal and Provincial governments in 2020 and 2021.
- 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 2021 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 2021 will be a deficit of \$7.4M (3.6% of expenditures totaling \$207.8M), or the equivalent of just over a 5.0% property tax rate increase if there was no balance in the appropriate stabilization reserve. The major contributors to the overall negative variance are the projected deficits in Sport recreation revenues, Emergency Operations Centre, and Investment Income. As COVID-19 related restrictions carried into 2021 causing facility closures and reduced programming these areas continued to be greatly impacted for the first half of 2021 with considerable losses in income for recreational programs (e.g. pools, arenas, sportsfields, and community centres). These deficits are offset in part by Gapping savings resulting from COVID-19, as well as, regular

vacancies. 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 was hit hardest by COVID-19 with lower than anticipated revenues due to the ongoing restrictions causing downtown businesses to close and/or run at reduced capacity resulting in less vehicle traffic requiring monthly or hourly parking in the downtown core. More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

The City has a total of \$6,534,000 in Safe Restart Funding of which \$4,022,000 was carried over from 2020 and \$2,512,000 was received in 2021. In addition to this funding, the City received \$4.8M in COVID-19 Recovery Funding from the Provincial government as part of their COVID-19 relief plan announced on March 4, 2021 to support Ontario municipalities in dealing with the ongoing impacts of the pandemic. The total Safe Restart and COVID-19 Recovery Funding of \$11.3M will be sufficient to fund the City's projected deficit of \$7.4M in tax supported operating, as well as year-to-date deficits in the Parking enterprise of \$1.1M and the Golf enterprise of \$14k. Any carryover funding will help the City deal with any continuing negative financial impacts of COVID-19 that extend into 2022.

Operating Fund – Tax Base (Schedule 1)

Staff is projecting the City's tax supported results for 2021 will be a deficit of \$7.4M (3.5% of expenditures totaling \$207.8M), or the equivalent of just over a 5.0% property tax rate increase if there was no balance in the appropriate stabilization reserve. 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.

Significant Projected Variances (over \$200,000)

Community Services Department:

- Bylaw Enforcement is projecting a deficit of \$735,000 in fine revenues, as the City has not been issuing as many tickets due to the COVID-19 restrictions in place for the first half of the year. Additionally, the collection of defaulted fine amounts is not back to pre-pandemic levels as the Ministry of Transportation has not been enforcing license plate renewals, which would ensure outstanding fines are paid.
- Sport is projecting a deficit of \$6,420,000 due to reduced revenues as programs and rentals are negatively impacted due to COVID-19 restrictions. This projection is slightly better than first reported in the June variance report as COVID-19 restrictions have lessened in the second half of the year.

Corporate Services Department:

- Legislated Services is projecting a deficit of \$215,000 due to lower than anticipated licensing revenues as a result of COVID-19

Development Services Department:

- Economic Development is projecting a deficit of \$215,000 due to lower than anticipated Market and special event room rental revenues as a result of COVID-19.
- Planning is projecting a surplus of \$325,000 due to higher than anticipated revenues for site plans.
- Engineering is projecting a surplus of \$590,000 as a result of increased revenues from site plans, service charges and recoverable external billings.

Infrastructure Services Department:

Facilities Management is projecting a surplus of \$1,330,000 due to reduced utility costs compared to budget, as some City facilities remain closed and/or operating at reduced capacity due to COVID-19 restrictions.

- Parks and Cemeteries is projecting a \$275,000 deficit due to a loss in revenues at Williamsburg Crematorium, unbudgeted playground repairs and forestry cleanup requirements.

General Expense:

- Gapping is projecting a surplus of \$2,330,000 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).
- Emergency Operations Centre is projecting a deficit of \$2,500,000 due to the COVID-19 pandemic. Example of costs include:
 - Purchases of personal protective equipment and other health & safety supplies
 - Staff costs related to managing the City's COVID-19 response
 - Additional cleaning and minor retrofits of City facilities

General Revenues:

- Supplementary Taxes/Write-Offs is projecting a deficit of \$800,000 due to increased write-offs from assessment appeals.
- Investment income is projecting a deficit of \$1,670,000 due to Bank of Canada emergency rate cuts in March 2020, which is lower than the budgeted rate based off a 3-year average.
- Penalties & Interest is projecting a \$640,000 surplus due to an increase in property taxes receivable.

Enterprises – (Schedules 2 to 8)

For the period of January to September, total enterprise results are \$6.0M better than budget, with four of the City's seven enterprises in a year-to-date surplus position. Details of each enterprise are noted below.

Building Enterprise (Schedule 2)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Building	\$ (117)	(\$1,347)	\$1,230

The Building Enterprise has a favourable variance of \$1,230,000 as a result of higher than budgeted permit revenues and lower than budgeted expenses due to staff vacancies.

Golf Enterprise (Schedule 3)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Golf	\$49	\$63	(\$14)

The Golf Enterprise has a slight unfavourable variance of \$14,000 primarily due to higher than budgeted expenses.

Parking Enterprise (Schedule 4)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Parking	(\$1,911)	(\$823)	(\$1,088)

The Parking Enterprise has an unfavourable variance of \$1,088,000 as revenues are significantly lower than budget due to reduced monthly and hourly parking demands related to COVID-19.

Water Utility (Schedule 5)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Water	\$1,432	\$345	\$1,088

The Water Utility has a favourable variance of \$1,088,000 primarily due to higher than budgeted volume of water sales as a result of the dry spring.

Sanitary Sewer Utility (Schedule 6)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Sanitary Sewer	\$5,233	(\$1,076)	\$4,157

The Sanitary Sewer Utility has a favourable variance of \$4,157,000. Sewer surcharge revenues are higher than budgeted, which is consistent with increased volume sales noted in the Water utility. In addition, sewage processing costs were less than budget due to the dry spring. These favourable variances are slightly offset with unbudgeted standby costs and vehicle rentals as a result of COVID-19.

Stormwater Utility (Schedule 7)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Stormwater	\$622	\$662	(\$40)

The Stormwater Utility has an unfavourable variance of \$40,000. Much of this is related to increased administration expenses due to additional development review costs and unanticipated standby costs and vehicle rentals incurred as a result of COVID-19. The negative variance is mostly offset by reduced maintenance costs due to a delay in a contract renewal.

Gas Utility (Schedule 8)

Net Results (\$000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Gas Utility (Total)	\$(1,776)	\$(2,422)	\$647
Gas Delivery	\$(1,354)	\$(1,327)	(\$26)
Gas Supply	(\$422)	(\$1,095)	\$673

The Gas Utility (Total) has a favourable variance of \$647,000. The majority of this variance is due to lower than anticipated Gas Supply expenses as lower volumes of gas were purchased due to the warmer than normal winter. Gas Delivery has an unfavourable variance due to lower than anticipated revenues which are partially offset by savings in expenses due to staff vacancies and increased program revenues in tank rentals and recoveries from warranty items.

Investment Report (Schedule 9)

All investments made were in accordance with the City's investment policy. Short-term investment yields to date have averaged 1.05%, and are well below the average interest rate of 1.64% for all of 2020.

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

City of Kitchener
Statement of Operations

for the nine months ended September 30, 2021
(with comparative figures for the nine months ended September 30, 2020)

	2020 Actual as at September	2021 Actual as at September	2021 Budget as at September	2021 Surplus/ (Deficit)	2021 YTD % Variance	2021 Annual Budget	2021 Projected Surplus/(Deficit)	Comments
CHIEF ADMINISTRATOR'S OFFICE								
CAO ADMINISTRATION	787,662	830,458	831,138	680	0.1%	1,151,707	-	
CHIEF ADMINISTRATOR'S OFFICE TOTAL	787,662	830,458	831,138	680	0.1%	1,151,707	-	
COMMUNITY SERVICES DEPARTMENT								
COMMUNITY SERVICES ADMINISTRATION	485,780	481,782	506,124	24,342	4.8%	693,481	25,000	
BY-LAW ENFORCEMENT	1,858,373	2,217,709	1,618,276	(599,433)	-37.0%	2,319,326	(735,000)	Current and projected deficit due to delayed fine revenues from MTO due to COVID-19.
CORPORATE CUSTOMER SERVICE	299,062	358,780	411,283	52,503	12.8%	584,312	90,000	
FIRE	24,646,796	26,004,218	26,033,695	29,477	0.1%	36,832,759	(95,000)	Deficit due to reduced revenues as programs were negatively impacted by COVID-19.
NEIGHBOURHOOD PROGRAMS & SERVICES	5,600,951	6,086,222	5,911,906	(174,316)	-2.9%	7,937,134	(140,000)	Deficit due to reduced revenues as programs and rentals were negatively impacted by COVID-19.
SPORT DIVISION	5,470,625	6,733,625	1,437,322	(5,296,303)	-368.5%	1,989,874	(6,420,000)	
COMMUNITY SERVICES DEPARTMENT TOTAL	38,361,587	41,882,336	35,918,606	(5,963,730)	-16.6%	50,356,886	(7,275,000)	
FINANCIAL SERVICES DEPARTMENT								
FINANCIAL SERVICES ADMINISTRATION	207,280	230,518	228,804	(1,714)	-0.7%	321,342	10,000	
ACCOUNTING	927,665	980,316	978,351	(1,965)	-0.2%	1,366,432	-	
ASSET MANAGEMENT & BUSINESS SOLUTIONS	560,184	569,461	595,396	25,935	4.4%	822,344	35,000	
FINANCIAL PLANNING	466,704	499,026	482,361	(16,665)	-3.5%	675,425	(20,000)	
REVENUE	563,993	434,971	583,270	148,299	25.4%	678,193	135,000	Projecting surplus due to increase in property tax certificates and property tax admin fee revenue.
SUPPLY SERVICES	317,832	341,739	357,195	15,456	4.3%	489,041	-	
FINANCIAL SERVICES DEPT TOTAL	3,043,658	3,056,031	3,225,377	169,346	5.3%	4,352,777	160,000	
CORPORATE SERVICES DEPARTMENT								
CORPORATE SERVICES ADMINISTRATION	335,139	346,246	359,074	12,828	3.6%	496,898	-	
MAYOR & COUNCIL	950,897	1,003,895	1,057,086	53,191	5.0%	1,466,014	55,000	
CORPORATE COMMUNICATIONS	1,085,453	1,256,053	1,071,770	(184,283)	-17.2%	1,483,997	(195,000)	Current and projected deficit due to substantial decline in advertising and sponsorship revenue.
EQUITY, ANTI-RACISM & INDIGENOUS	-	306,756	255,988	(50,768)	-19.8%	353,609	(95,000)	
HUMAN RESOURCES	1,538,346	1,709,784	1,658,316	(51,468)	-3.1%	2,329,214	-	
TECHNOLOGY INNOVATION & SERVICES	4,024,634	4,132,949	4,181,159	48,210	1.2%	5,790,583	30,000	
LEGAL	786,478	835,652	806,630	(29,022)	-3.6%	1,147,051	-	
LEGISLATED SERVICES	917,823	1,123,630	905,718	(217,912)	-24.1%	1,321,090	(215,000)	Current and projected deficit due to lower than anticipated licensing revenues due to COVID-19.
CORPORATE SERVICES DEPT TOTAL	9,638,770	10,714,965	10,295,741	(419,224)	2.5%	14,388,456	(420,000)	
DEVELOPMENT SERVICES DEPARTMENT								
DEVELOPMENT SERVICES ADMINISTRATION	398,677	448,742	461,083	12,341	2.7%	642,468	20,000	
ECONOMIC DEVELOPMENT	4,744,020	4,803,410	4,649,922	(153,488)	-3.3%	5,913,341	(215,000)	Current and projected Revenue lower than budget in special event room rental and the market due to COVID-19.
PLANNING	1,203,157	631,234	884,219	252,985	28.6%	1,564,442	325,000	Higher than anticipated revenues for Site plans expected to even out over the remainder of the year.
ENGINEERING	252,688	(717,729)	(44,557)	673,172	1510.8%	137,087	590,000	Higher than anticipated revenues for Site plans, service charges and recoveries from cross border agreements with neighbouring Municipalities.
TRANSPORTATION SERVICES	1,984,978	2,877,126	2,994,567	117,441	3.9%	4,518,359	80,000	
DEVELOPMENT SERVICES DEPT TOTAL	8,583,520	8,042,783	8,945,234	902,451	7.6%	12,775,697	800,000	

City of Kitchener
Statement of Operations

for the nine months ended September 30, 2021
(with comparative figures for the nine months ended September 30, 2020)

	2020 Actual as at September	2021 Actual as at September	2021 Budget as at September	2021 Surplus/ (Deficit)	2021 YTD % Variance	2021 Annual Budget	2021 Projected Surplus/(Deficit)	Comments
INFRASTRUCTURE SERVICES DEPARTMENT								
INFRASTRUCTURE SERVICES ADMINISTRATION	427,819	466,463	463,330	(3,133)	-0.7%	640,417	-	
FACILITIES MANAGEMENT	9,228,841	9,611,977	11,323,288	1,711,311	15.1%	15,353,942	1,330,000	Current and projected surplus due to reduced utility consumption at facilities during COVID-19 related closures.
PARKS AND CEMETERIES	10,495,632	12,236,565	12,176,512	(60,053)	-0.5%	16,914,931	(275,000)	Current and projected deficit due to loss of revenue at Williamsburg Crematorium, unbudgeted playground repairs, and unbudgeted forestry clean-up requirements.
OPERATIONS - ROADS AND TRAFFIC	7,617,799	8,674,340	8,994,439	320,099	3.6%	11,668,003	190,000	Current and projected surplus due to winter and discretionary expense savings as a result of COVID-19.
INFRASTRUCTURE SERVICES DEPARTMENT TOTAL	27,770,091	30,989,345	32,957,569	1,968,224	-1.8%	44,577,293	1,245,000	
NET DEPARTMENTAL EXPENDITURES	88,185,288	95,515,918	92,173,665	(3,342,253)	0.6%	127,602,816	(5,490,000)	
GENERAL EXPENSES								
GRANTS & BOARDS	11,960,948	11,976,729	12,069,514	92,785	0.8%	15,597,853	(85,000)	
OTHER	1,084,186	1,009,772	1,238,657	228,885	18.5%	1,547,385	-	
GAPPING	(10,500,148)	(9,200,703)	(1,214,500)	7,986,203	657.6%	(2,100,000)	2,330,000	Current and projected surplus due to staff savings resulting from COVID-19 in addition to regular vacancies.
CAPITAL AND RESERVE FINANCING	13,926,395	14,209,052	14,267,017	57,965	0.4%	13,624,069	-	
CONTRACT SERVICES	569,897	593,145	600,865	7,720	1.3%	866,094	(85,000)	
TAX WRITEOFFS & REBATES	82,681	63,884	78,152	14,268	18.3%	83,202	-	
PROVISIONS - BAD DEBT ALLOWANCE	650,000	650,000	650,000	-	0.0%	650,000	-	
EMERGENCY OPERATIONS CENTRE	3,883,994	2,074,010	-	(2,074,010)	-100.0%	-	(2,500,000)	Current and projected deficit due to COVID-19 related expenses.
GENERAL EXPENSES TOTAL	21,657,953	21,375,889	27,689,705	6,313,816	-0.5%	30,268,603	(340,000)	
TOTAL NET EXPENSES	109,843,241	116,891,807	119,863,370	2,971,563	0.4%	157,871,419	(5,830,000)	
GENERAL REVENUES								
TAXES								
GENERAL LEVY	(128,858,411)	(132,046,836)	(132,046,893)	(57)	0.0%	(132,046,893)	-	
SUPPLEMENTARY TAXES/WRITE-OFFS	424,220	429,496	313,257	(116,239)	-37.1%	(1,120,252)	(800,000)	Current and projected deficit due to increased write-offs related to assessment appeals.
LOCAL IMPROVEMENTS	(3,717)	(745)	(3,541)	(2,796)	-79.0%	(40,965)	(30,000)	
PAYMENTS IN LIEU	(4,395,050)	(4,343,378)	(4,323,044)	20,334	0.5%	(4,323,044)	165,000	Projected surplus due to supplementary PILs.
	(132,832,958)	(135,961,463)	(136,060,221)	(98,758)	1.1%	(137,531,154)	(665,000)	
OTHER REVENUE								
INVESTMENT INCOME	(2,711,625)	(1,791,436)	(3,012,186)	(1,220,750)	-40.5%	(4,040,000)	(1,670,000)	Current and projected deficit due to Bank of Canada emergency rate cuts in March 2020 (budget uses a 3-year average).
PENALTIES & INTEREST	(1,938,256)	(2,844,424)	(2,177,146)	667,278	30.6%	(3,296,520)	640,000	Current and projected surplus due to increase in overall property taxes receivable.
CONTRIBUTION FROM RERSERVES AND ENTERPRISES	(9,253,186)	(9,386,864)	(9,386,864)	-	0.0%	(12,515,821)	-	
SUNDRY INCOME	(123,357)	(166,149)	(102,793)	63,356	61.6%	(137,924)	-	
SOLAR ROOF	-	-	-	-	0.0%	(350,000)	80,000	
	(14,026,424)	(14,188,873)	(14,678,989)	(490,116)	3.1%	(20,340,265)	(950,000)	
GENERAL REVENUES TOTAL	(146,859,382)	(150,150,336)	(150,739,210)	(588,874)	1.3%	(157,871,419)	(1,615,000)	
TOTAL CITY OPERATIONS	(37,016,141)	(33,258,529)	(30,875,840)	2,382,689		-	(7,445,000)	

CITY OF KITCHENER
BUILDING ENTERPRISE
STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND
for the 9 months ended September 30, 2021
(with comparative figures for the 9 months ended Septemeber 30, 2020)

	2021				2020
	ACTUAL	BUDGET	VARIANCE *	Note	ACTUAL
<u>REVENUE</u>					
Building Revenues	3,850,293	2,896,755	953,538	1	4,930,713
	3,850,293	2,896,755	953,538		4,930,713
<u>EXPENSES</u>					
Direct	3,151,623	3,428,630	277,007	2	2,928,029
Indirect	815,642	815,460	(182)		815,186
	3,967,265	4,244,090	276,825		3,743,215
Net Revenue (Expense)	(116,971)	(1,347,335)	1,230,364		1,187,498
<u>STABILIZATION RESERVE FUND</u>					
Opening Balance	12,377,137	12,377,137	-		7,597,894
Net Revenues (Expense) year end only			-		
Interest Revenue (Expense) year end only			-		
Closing Balance	12,377,137	12,377,137	-		7,597,894

VARIANCE EXPLANATION:

*** Numbers in brackets are unfavourable variances**

- 1 - Revenues are higher than budget due to increased permit applications over what was anticipated in the new low rise residential, duplex conversions, residential improvements and apartment categories.
2 - Expenses are lower than budget due to staff vacancies.

CITY OF KITCHENER**GOLF ENTERPRISE****STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND**

for the nine months ended September 30, 2021

(with comparative figures for the nine months ended September 30, 2020)

	2021			Note	2020
	ACTUAL	BUDGET	VARIANCE *		ACTUAL
<u>OPERATIONS</u>					
Revenue	2,361,934	2,170,627	191,307		1,866,228
Expenses	1,991,316	1,786,109	(205,207)		1,354,641
Gross Profit	370,618	384,518	(13,900)		511,587
Gross Profit Percentage	16%	18%			27%
<u>OTHER EXPENSES</u>					
Transfer - Golf Capital Reserve	65,952	65,952	-		51,976
Debt Charges	-	-	-		-
Transfer to Capital	199,503	199,503	-		68,632
	265,455	265,455	-		120,608
Net Profit before Dividend	105,163	119,063	(13,900)		390,979
Dividend Transfer to City	56,115	56,115	-		56,115
Net Revenue (Expense)	49,048	62,948	(13,900)		334,864
<u>STABILIZATION RESERVE FUND</u>					
Opening Balance	(1,032,195)	(1,032,195)	-		(1,039,692)

VARIANCE EXPLANATION:** Numbers in brackets are unfavourable variances*

CITY OF KITCHENER
PARKING ENTERPRISE
STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND
for the 9 months ended Septmeber 30, 2021
(with comparative figures for the 9 months ended September 30, 2020)

	2021			Note	2020
	ACTUAL	BUDGET	VARIANCE *		ACTUAL
<u>REVENUE</u>					
Parking Revenues	2,825,161	4,234,714	(1,409,553)	1	3,158,933
Economic Development Subsidies	947,061	947,061	-		947,061
	<u>3,772,222</u>	<u>5,181,775</u>	<u>(1,409,553)</u>		<u>4,105,994</u>
<u>EXPENSES</u>					
General	2,820,434	3,142,202	321,768	2	4,070,728
Debt Charges	-	-	-		-
Transfer to Capital fund	1,362,762	1,362,762	-		1,269,698
	<u>4,183,196</u>	<u>4,504,964</u>	<u>321,768</u>		<u>4,070,728</u>
Net Profit before Dividend	(410,974)	676,811	(1,087,785)		35,266
Dividend Transfer to City	1,500,002	1,500,002	-		1,500,002
Net Revenue (Expense)	(1,910,976)	(823,191)	(1,087,785)		-
<u>STABILIZATION RESERVE FUND</u>					
Opening Balance	1,884,687	1,884,687	-		1,270,500

VARIANCE EXPLANATION:

* Numbers in brackets are unfavourable variances

1 - Revenues are significantly lower due to reduced monthly and hourly parking demands related to COVID-19.

2 - Expenses are lower due to reduced operating and staffing costs related to COVID-19.

CITY OF KITCHENER**WATER UTILITY****STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND**

for the nine months ended September 30, 2021

(with comparative figures for the nine months ended September 30, 2020)

	2021				2020
	ACTUAL	BUDGET	VARIANCE *	Note	ACTUAL
<u>REVENUE AND EXPENSE</u>					
Sale of Water	37,715,099	36,042,894	1,672,205	1	37,838,124
Water Supply	18,602,237	17,887,846	(714,391)	2	18,714,537
Gross Profit	19,112,862	18,155,048	957,814		19,123,587
Gross Profit Percentage	51%	50%			51%
<u>MISCELLANEOUS REVENUE</u>					
Other	306,470	277,740	28,730		225,080
	306,470	277,740	28,730		225,080
<u>EXPENSE</u>					
Administration	2,310,429	2,264,345	(46,084)		2,053,041
Water transmission & distribution	4,952,682	5,178,474	225,792	3	4,111,823
COVID Costs	77,839	-	(77,839)		196,723
Transfer to capital fund	10,645,948	10,645,456	(492)		10,485,000
	17,986,898	18,088,275	101,377		16,846,587
Net Revenue (Expense)	1,432,434	344,513	1,087,921		2,502,080

STABILIZATION RESERVE FUND

Opening Balance	7,538,584	7,538,584	-	4,990,308
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VARIANCE EXPLANATION:** Numbers in brackets are unfavourable variances*

- 1 Sales of water are higher than budget due to increased volumes sold to the end of September.
- 2 Water supply is higher than budget due to increased purchase volumes from the Region, consistent with the increase in sales.
- 3 Water transmission and distribution costs are lower than budget due staff vacancies.

**CITY OF KITCHENER
SANITARY SEWER UTILITY
STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND**

for the nine months ended September 30, 2021

(with comparative figures for the nine months ended September 30, 2020)

	2021				2020
	ACTUAL	BUDGET	VARIANCE*	Note	ACTUAL
<u>REVENUE AND EXPENSES</u>					
Sewer Surcharge Revenue	47,193,336	45,015,000	2,178,336	1	47,325,136
Cost of Sewage Processing	22,972,451	25,187,888	2,215,437	2	24,671,968
Gross Profit	24,220,885	19,827,112	4,393,773		22,653,168
Gross Profit Percentage	51%	44%			48%
<u>MISCELLANEOUS REVENUE</u>					
Other Revenue	561,240	964,971	(403,731)	3	1,171,396
	561,240	964,971	(403,731)		1,171,396
<u>EXPENSES</u>					
Administration	1,841,905	1,874,742	32,837		1,756,469
Sanitary Sewer Maintenance	2,962,598	3,220,105	257,507	4	2,624,946
COVID Costs	179,764	-	(179,764)	5	227,196
Sewage Rebates	632,475	690,479	58,004		475,484
Transfer to Capital Fund	13,932,570	13,931,250	(1,320)		14,239,915
	19,549,312	19,716,576	167,264		19,324,010
Net Revenue (Expense)	5,232,813	1,075,507	4,157,306		4,500,554

STABILIZATION RESERVE FUND

Opening Balance	9,348,702	9,348,702	-		7,171,113
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VARIANCE EXPLANATION:

** Numbers in brackets are unfavourable variances*

- 1 Sewer surcharge revenue is higher than budget, which is consistent with the water utility, due to increased consumption.
- 2 Cost of sewage processing is lower than budget, due to a drier spring than anticipated.
- 3 Other revenue is lower than budget due to a correction in cross border billings.
- 4 Sanitary sewer maintenance costs are lower than budget due to delays in contract work.
- 5 COVID costs are unbudgeted and therefore are unanticipated costs due to standby costs and vehicle rentals.

**CITY OF KITCHENER
STORM SEWER UTILITY
STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND**

for the nine months ended September 30, 2021

(with comparative figures for the nine months ended September 30, 2020)

	2021			Note	2020
	ACTUAL	BUDGET	VARIANCE*		ACTUAL
<u>REVENUES</u>					
Stormwater Fee	16,400,869	16,309,300	91,569		15,293,477
Other Revenue	503,328	556,503	(53,175)		493,190
	16,904,197	16,865,803	38,394		15,786,667
<u>EXPENSES</u>					
Administration	1,914,362	1,686,622	(227,740)	1	1,666,064
Storm Sewer Maintenance	2,218,827	2,525,379	306,552	2	2,071,390
COVID Costs	165,813	-	(165,813)	3	83,597
Stormwater Credit Program	436,181	414,841	(21,340)		380,052
Grants to Charities/Places of Worship	382,234	412,100	29,866		373,501
Transfer to Capital Fund	11,164,684	11,165,250	566		10,219,281
	16,282,101	16,204,192	(77,909)		14,793,885
Net Revenue (Expense)	622,096	661,611	(39,515)		992,782

STABILIZATION RESERVE FUND

Opening Balance	783,762	783,762	-		260,312
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VARIANCE EXPLANATION:

** Numbers in brackets are unfavourable variances*

- 1 Administration expenses are higher than budget due to additional development review costs incurred by the utility.
- 2 Storm Sewer Maintenance expenses are lower than budget due to a delay in pipe repair contract renewal.
- 3 COVID costs are unbudgeted and therefore are unanticipated costs due to standby costs and vehicle rentals.

CITY OF KITCHENER**GASWORKS****STATEMENT OF REVENUE AND EXPENSES AND STABILIZATION RESERVE FUND**

for the nine months ended September 30, 2021

with comparative figures for the nine months ended September 30, 2020

<u>DELIVERY OPERATIONS</u>	2021			Note	2020
	ACTUAL	BUDGET	VARIANCE *		ACTUAL
Gas delivery					
Revenue	27,799,654	28,122,469	(322,815)	1	26,903,652
Expense	12,597,040	12,865,809	268,769	2	12,278,240
Gross Profit	15,202,614	15,256,660	(54,046)		14,625,412
Gross Profit Percentage	55%	54%			54%
Other programs					
(Dispatch, Customer Service, Rental Water Heaters & Financing)					
Revenue	9,093,712	8,614,382	479,330	3	8,683,355
Expense	6,056,127	5,675,681	(380,446)	4	5,495,240
	3,037,585	2,938,701	98,884		3,188,115
COVID Costs	71,188	-	(71,188)		580,572
Transfer to Gasworks capital fund	(8,099,057)	(8,099,057)	-		(8,389,554)
Net Profit before Dividend	10,069,954	10,096,304	(26,350)		8,843,401
Dividend Transfer to City	(11,423,682)	(11,423,682)	-		(11,199,690)
Net Revenue (Expense)	(1,353,728)	(1,327,378)	(26,350)		(2,356,289)

STABILIZATION RESERVE FUND

Opening Balance	4,373,566	4,373,566	-	5,734,000
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VARIANCE EXPLANATION:*** Numbers in brackets are unfavourable variances**

1 - Gas Delivery sales revenues are lower than budget due to lower gas consumption because of warmer than normal winter.

2 - Gas Delivery expenses are lower than budget due to savings from staff vacancies.

3 - Other program revenues are higher than budget due to increase in tank rentals and recoveries from warranty items.

4 - Other program expenses are higher than budget due to increased depreciation costs.

<u>SUPPLY OPERATIONS</u>	2021			Note	2020
	ACTUAL	BUDGET	VARIANCE *		ACTUAL
Gas supply					
Revenue	19,530,077	20,124,377	(594,300)	5	19,216,635
Expense	19,952,044	21,219,292	1,267,248	6	19,311,397
Net Revenue (Expense)	(421,967)	(1,094,915)	672,948		(94,762)
Gross Profit Percentage	-2%	-5%			0%
<u>SUPPLY STABILIZATION RESERVE FUND</u>					
Opening Balance	4,239,902	4,239,902	-		3,419,301

VARIANCE EXPLANATION:

** Numbers in brackets are unfavourable variances*

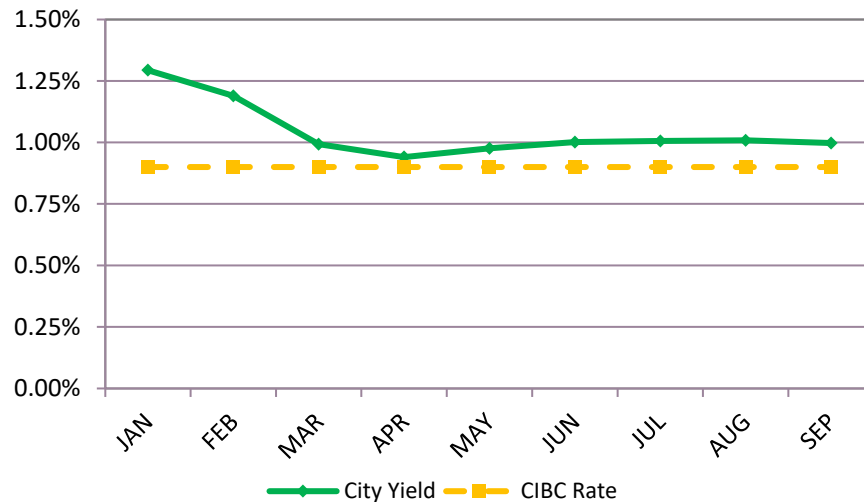
5 - Gas Supply sales revenues are lower than budget due to lower gas consumption because of warmer than normal winter.

6 - Gas Supply expenses are lower than budget due to lower volumes of gas purchased.

Investment Report as of September 30, 2021

Schedule 9 Page 1

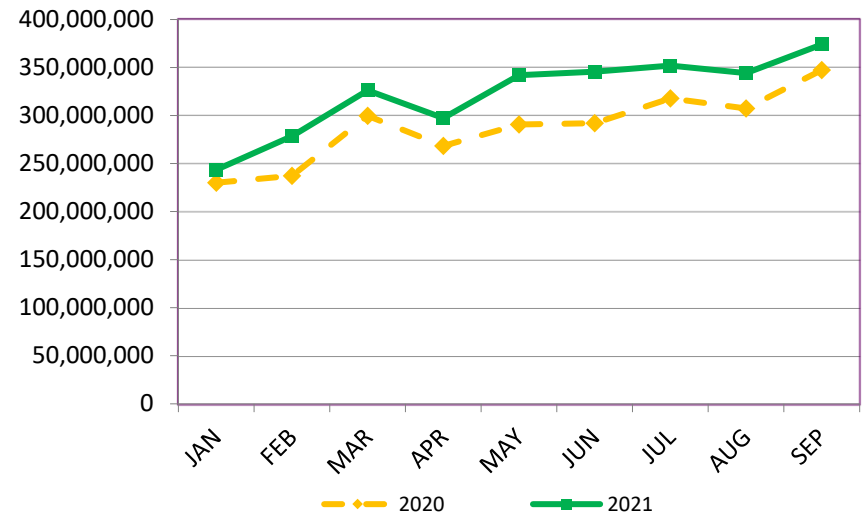
Comparison of Short Term Yields January to September 2021



This graph compares the yields for:

- 1) City investments
- 2) Interest rate for City bank account with CIBC

Average Short-Term Investment Balance*



* includes average balance in the overnight bank account

Investment Report as of September 30, 2021

Schedule 9 Page 2

Investment Balances

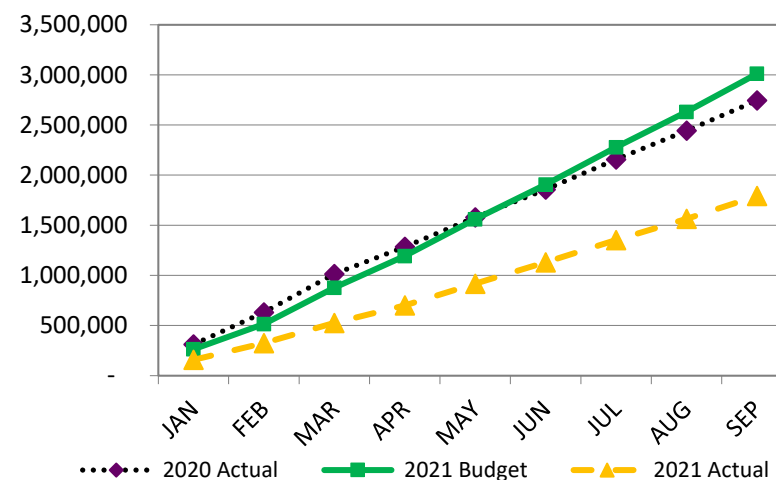
Cash & Short Term Investments

As at September 30, 2021	INVESTMENT	PORTFOLIO	AVERAGE
TYPE	BALANCE	SHARE	YIELD
Government of Canada	0	0.0%	0.00%
Provinces	0	0.0%	0.00%
Municipal/Other	0	0.0%	0.00%
Schedule I Banks	297,127,505	90.8%	0.99%
Schedule II & III Banks	0	0.0%	0.00%
Credit Unions & Trust Co's	30,000,000	9.2%	1.19%
	327,127,505	100%	1.01%

Long Term Investments

As at September 30, 2021	INVESTMENT	PORTFOLIO	AVERAGE
TYPE	BALANCE	SHARE	YIELD
Government of Canada	0	0.0%	0.00%
Provinces	11,339,504	21.1%	2.33%
Municipal/Other	3,638,156	6.8%	3.25%
Schedule I Banks	32,855,620	61.1%	2.04%
Schedule II & III Banks	1,400,000	2.6%	1.45%
Credit Unions & Trust Co's	4,500,000	8.4%	2.00%
	53,733,280	100%	2.16%

Operating Fund Accumulated Interest



Average Interest Rate 2021 = 1.05%

Average Interest Rate 2020 = 1.64%