REPORT TO:	**Committee of the Whole**
DATE OF MEETING:	**March 20, 2023**
SUBMITTED BY:	**Ryan Hagey, Director of Financial Planning 519-741-2200 x 7353**
PREPARED BY:	**Debbie Andrade, Manager of Budgets, 519-741-2200 ext. 7114**
WARD(S) INVOLVED:	**All**
DATE OF REPORT:	**March 1, 2023**
REPORT NO.:	**FIN-2023-127**
SUBJECT:	**2022 Year End Variance**

RECOMMENDATION:
For information.

REPORT HIGHLIGHTS:
- The purpose of this report is to provide the yearend financial results for City operations
- Tax Supported Operations ended the year with a surplus of $1,235,000
- Enterprise Operations ended the year with a surplus of $6,038,000
- Deficits in the Golf and Parking Enterprise Operations were fully offset by Safe Restart funding provided by the Federal and Provincial governments in 2020, 2021, and 2022.
- This report supports the delivery of core services.

BACKGROUND:
This is the third and final formal variance report to Council regarding the City's financial performance versus the 2022 budget. The report and attached schedules include information regarding:
- Tax supported operating
- Rate supported enterprises/utilities, and
- Supplementary information related to investment income

REPORT:
The City's tax-supported operations ended the year with a surplus of $1,235,000. The major contributors to the overall positive variance are the surpluses in Investment Income, Penalties and Interest, Supplementary Taxes/Write-Offs, Facilities Management, Engineering, Planning and Gapping Savings. These positive variances are offset in part by deficits in Sport, Parks and Cemeteries, Corporate Communications and Emergency Operations Centre. 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 the Forestry section of Parks and Cemeteries.

More details about each of the City's tax supported divisions are provided in the report below and in Schedule 1.

The rate supported operations were also impacted by COVID-19 restrictions which continued to be in place for the early part of 2022, with Parking and Golf being the most severely hit. Parking revenues were down significantly lower than budget due to reduced monthly and hourly parking demands related to new hybrid working environments, and Golf had increased expenses due to unexpected food and beverage equipment expenses from the restart of a lengthy COVID-19 shut down.

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

In 2020 and 2021 the City received Safe Restart Funding from the Federal government and COVID-19 Recovery Funding from the Provincial government as part of their COVID-19 relief plan to support Ontario municipalities in dealing with the ongoing impacts of the pandemic. The total Safe Restart and COVID-19 Recovery Funding carried over from 2021 was sufficient to fund the 2022 deficits in the Parking enterprise ($1.97M) and the Golf enterprise ($464k). A balance of $703k remains and will carry over to help the City deal with any negative financial impacts of COVID-19 that extend into future years.

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

Safe Restart Funding Balance

	2020 Actual	2021 Actual	2022 Actual	Total
Funding Received				
Federal Funding	$ 13,062,000	$ 2,512,000	$ -	$ 15,574,000
Provincial Funding	$ -	$ 4,821,933	$ -	$ 4,821,933
Total Funding Received	**$ 13,062,000**	**$ 7,333,933**	**$ -**	**$ 20,395,933**
Funding Allocated				
Tax	$ 5,062,000	$ 4,651,260	$ -	$ 9,713,260
Parking	$ 2,263,000	$ 3,060,435	$ 1,967,774	$ 7,291,209
Golf	$ 596,000	$ 509,138	$ 464,092	$ 1,569,230
Utilities	$ 1,119,000	$ -	$ -	$ 1,119,000
Total Funding Allocated	**$ 9,040,000**	**$ 8,220,833**	**$ 2,431,866**	**$ 19,692,699**
Total Funding Remaining				**$ 703,234**

Operating Fund – Tax Base (Schedule 1)

The City ended the year with an operating surplus of $1.23M in tax-supported operations. This result is 0.63% of budgeted expenditures totaling $197.2M. The surplus experienced in 2022 shows a positive outlook from the challenges the City faced in 2020 and 2021 with the economic realities of COVID-19 which led the City into significant deficits as shown in the table below.

Tax Supported Operations – Yearend Position

	2015	2016	2017	2018	2019	2020	2021	2022
Surplus/ (Deficit)	$0.98M	0.94M	$1.42M	$1.73M	$0.77M	($5.06M)	($4.65M)	$1.23M

Significant variances (over $200,000) are summarized below by division. Schedule 1 provides additional detail by including information for variances that exceed $100,000 of the budget.

Significant Variances (over $200,000)

Community Services Department:

- Sport had a deficit of $2,761,000 due to reduced revenues as programs and rentals were negatively impacted by the COVID-19 restrictions in early 2022.

Financial Services Department:

- Revenue had a surplus of $321,000 due to higher than expected fee revenues.

Corporate Services Department:

- Corporate Communications had a deficit of $316,000 due to a substantial decline in advertising and sponsorship revenues.

Development Services Department:

- Planning had a surplus of $404,000 due to higher than anticipated revenues for Site Plans.
- Engineering had a surplus of $666,000 due to higher than anticipated revenues for Site Plans and service charges.

Infrastructure Services Department:

- Facilities Management had a surplus of $974,000 due to reduced utility consumption as a number of City facilities were operating at reduced capacity due to COVID-19 restrictions in early 2022. This resulted in significantly lower than budgeted utility costs.
- Parks and Cemeteries had a deficit of $1,739,000 due to a significant winter activity and major windstorm event in May which was partially funded by the Weather Stabilization Reserve. Also there was increased operating costs associated with downtown operations and an increased demand for playground equipment maintenance in 2022.

General Expense:

- Gapping had a surplus of $1,192,000 due to staff savings related to regular vacancies in addition to 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 had a deficit of $813,000 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 had a surplus of $607,000 due to reduced appeals as a result of the delay in MPAC reassessments.

Other Revenues:

- Investment Income had a surplus of $709,000 due to rapid Bank of Canada rate increases since March 2022.
- Penalties and Interest had a surplus of $1,252,000 due to an increase in overall property tax receivable balances.

Enterprises – (Schedules 2 to 8)

Enterprises as a whole ended the year with a surplus of $6,038,000, with surpluses in Water, Sanitary Sewer, and Natural Gas. Offsetting these positive results were deficits in Building, Golf, Parking and Storm. Summary information about each enterprise is noted below, with more detailed information provided in the schedules attached to this report.

Building Enterprise (Schedule 2)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Building	($1,136)	($1,432)	$296

The Building Enterprise had a deficit of $1,136,000, which was $296,000 better than budgeted. The main reason for the deficit is that revenues were lower than budget due to a decline in the number of new construction builds as multiple interest rate increases slowed the sales of residential buildings. The decrease in revenue was partially offset by reduced expenses due to staff vacancies.

Golf Enterprise (Schedule 3)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Golf	($464)	($463)	($1)

The Golf Enterprise had a deficit of $464,000, which was $1,000 worse than budgeted. Safe Restart funding was used to fully offset the deficit which was caused mostly by unexpected food and beverage equipment expenses from the restart of a lengthy COVID-19 shut down.

Parking Enterprise (Schedule 4)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Parking	($1,968)	($993)	($975)

The Parking Enterprise had a deficit of $1,968,000, which was $975,000 worse than budgeted. Safe Restart funding was used to fully offset the deficit which was caused mostly by reduced revenues. Parking revenues were significantly lower than budget due to reduced monthly and hourly parking demands related to new hybrid working environments.

Water Utility (Schedule 5)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Water	$695	($539)	$1,234

The Water Utility had a surplus of $695,000 which was $1,234,000 better than budgeted. Water revenues were significantly better than budgeted due to increased volume sales throughout the year as well as water supply higher than budget due to increased purchase volumes from the Region, consistent with the increase in sales. Additionally, administration expense was lower than budget due to higher allocation of costs to capital. Water maintenance costs were higher than budget due to increased number of main breaks, as well as, increased severity and cost of repairs and restoration.

Sanitary Sewer Utility (Schedule 6)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Sanitary Sewer	$7,785	($63)	$7,848

The Sanitary Sewer Utility had a surplus of $7,785,000 which was $7,848,000 better than budgeted. Sewer surcharge revenues were significantly better than budgeted, which is consistent with increased volume sales noted in the Water utility. Additionally, other revenue was higher than budget due to increased cross border billing volumes. Sewage processing costs were less than budgeted due to decreased volumes arising from a dry spring and summer. Maintenance costs were also lower than budget due to savings in main and lateral repairs.

Stormwater Utility (Schedule 7)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Stormwater	($11)	$101	($112)

The Stormwater Utility had a deficit of $11,000 which was $112,000 worse than budget. Stormwater fees were higher than budget as a result of higher than expected development in the year, but other revenues were lower. Additionally, administration expenses were higher than budget due to additional development review costs.

Gas Utility (Schedule 8)

Net Results ($000's) Favourable/(Unfavourable)	Actual	Budget	Variance
Gas Utility (Total)	$1,137	($3,636)	$4,773
Gas Delivery	($1,227)	($1,894)	$667
Gas Supply	$2,364	($1,742)	$4,106

The Gas Utility (Total) had a surplus of $1,137,000 which was $4,773,000 better than budgeted. Gas Delivery had a favourable variance due to higher than anticipated sales revenues from increased gas consumption from the cold winter and higher than anticipated rental revenues and recoveries from warranty items. The higher than anticipated revenues were offset in part by additional maintenance costs and increased depreciation. Gas Supply had a favourable variance as sales revenues were higher than budget due to increased gas consumption from the cold winter.

Investment Report (Schedule 9)

All investments were made in accordance with the City's investment policy. Short-term investment yields to date averaged 2.58%, and were well 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:

Final results for tax supported operations and rate supported enterprises/utilities have been closed out to the appropriate stabilization reserves. Surpluses increase the funds available in the reserve to offset future deficits, while deficits decrease funds available to deal with unanticipated funding needs.

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:

- FIN-2022-414 June 2022 Operating Variance Report
- FIN-2022-484 September 2022 Operating Variance Report

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