

Staff Report

Financial Services Department



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REPORT TO: Committee of the Whole

DATE OF MEETING: April 8, 2024

SUBMITTED BY: Ryan Hagey, Director of Financial Planning & Asset Management,
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PREPARED BY: Debbie Andrade, Manager of Budgets, 519-741-2200 ext. 7114

WARD(S) INVOLVED: All

DATE OF REPORT: March 13, 2024

REPORT NO.: FIN-2024-153

SUBJECT: 2023 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 \$3,061,000
- Enterprise Operations ended the year with results that were \$2,748,000 better than budgeted
- 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 2023 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 \$3,061,000. Surplus funds are saved in the City's stabilization reserves for a future year when costs are higher or revenues are lower than expected. In that future year, the stabilization reserves will fund the resulting deficit, and help avoid tax/utility rate increases. The major contributors to the overall positive variance are the surpluses in Planning, Operations – Roads and Traffic, Gapping, Supplementary Taxes, and Penalties & Interest. These positive variances are

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offset in part by deficits in Sport, Corporate Communications, Facilities Management and 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 City's enterprise (non-tax supported business lines) ended the year with results \$2,748,000 better than expected. All enterprises except Parking were better than budgeted in 2023. More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

Operating Fund – Tax Base (Schedule 1)

The City ended the year with an operating surplus of \$3.06M in tax-supported operations. This result is 1.32% of budgeted expenditures totaling \$232.2M. The table below shows the City has ended the year in a surplus position in all years since 2015 with the exception of 2020 and 2021 which were due to the economic realities of COVID-19.

Tax Supported Operations – Yearend Position

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Surplus/ (Deficit)	\$0.98M	0.94M	\$1.42M	\$1.73M	\$0.77M	(\$5.06M)	(\$4.65M)	\$1.23M	\$3.06M

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 \$503,000 due to higher than budgeted wages.

Development Services Department:

- Planning had a surplus of \$609,000 due to higher than anticipated revenues for Site Plans as well as Official Plan and Zoning By-Law Amendments.

Infrastructure Services Department:

- Facilities Management had a deficit of \$423,000 due to increased water usage at pools as a result of required draining and re-filling, as well as increased service charges at rented facilities.
- Parks and Cemeteries had a deficit of \$875,000 due to reduced crematorium revenues as well as increased costs for tree planting, portable washrooms and vandalism cleanup.
- Operations – Roads and Traffic had a surplus of \$200,000 due to lower winter maintenance costs as a result of the unseasonably warm fall.

General Expense:

- Gapping had a surplus of \$461,000 due to staff savings related to regular vacancies.

General Revenues:

- Supplementary Taxes/Write-offs had a surplus of \$1,140,000 due to higher than expected supplementary revenues as well as lower than expected tax appeal write-offs.

Other Revenues:

- Penalties and Interest had a surplus of \$1,584,000 due to an increase in overall property tax receivable balances.

Enterprises – (Schedules 2 to 8)

Enterprises as a whole ended the year \$2,748,000 better than budgeted. Final results for rate supported enterprises/utilities have been closed out to the appropriate reserves according to policy. Summary information about each enterprise is noted below, with more detailed information provided in the schedules attached to this report.

Building Enterprise (Schedule 2)

The Building Enterprise had a deficit of \$288,000 which was \$3,114,000 better than budgeted due to higher-than-expected revenues for new rental housing projects in the mid and high-rise categories as well as cost savings related to staff vacancies.

Golf Enterprise (Schedule 3)

The Golf Enterprise had a deficit of \$395,000 which was \$92,000 better than budgeted due to higher than budgeted green fee revenues which is offset in part by higher than budgeted wages.

Parking Enterprise (Schedule 4)

The Parking Enterprise had a deficit of \$1,604,000 which was \$73,000 worse than budgeted 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. Safe Restart funding of \$703,000 was used to partly offset the deficit and has now been fully allocated.

Water Utility (Schedule 5)

The Water Utility had a surplus of \$1,569,000 which was \$2,419,000 better than budgeted due to increased volume of water sold as a result of the warmer weather, as well as cost savings from staff vacancies.

Sanitary Sewer Utility (Schedule 6)

The Sanitary Sewer Utility had a surplus of \$2,921,000 which was \$6,374,000 better than budgeted due to higher than budgeted revenues, which is consistent with increased volume sales also noted in the Water utility. Additionally, operating expenses were lower than budget due to staff vacancies and lower volume of sewer rebates.

Stormwater Utility (Schedule 7)

The Stormwater Utility had a deficit of \$633,000 which was \$573,000 better than budgeted due to higher stormwater revenues from increased development as well as savings from staff vacancies.

Gas Utility (Schedule 8)

The Gas Utility (Total) had a surplus of \$1,178,000 which was \$1,431,000 better than budgeted.

- Gas Delivery had a deficit of \$4,318,000 which was \$131,000 worse than budgeted due to additional locator costs incurred during the year offset in part by a rate adjustment in November.
- Other Programs (Rental Water Heaters and KU Dispatch) had a surplus of \$3,612,000 which was \$181,000 worse than budgeted due to higher depreciation costs and increased carrying costs.
- Gas Supply had a surplus of \$1,885,000 which was \$1,744,000 better than budgeted due to reduced operating expenses as a result of lower volumes of gas sold and favourable hedging strategies.

Investment Report (Schedule 9)

All investments were made in accordance with the City's investment policy. Short-term investment yields to date averaged 4.55%, and were well above the average interest rate of 2.58% for all of 2022.

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-2023-370 June 2023 Operating Variance Report
- FIN-2023-537 September 2023 Operating Variance Report

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