



**SUBJECT:** Mid-year 2022 operating budget performance report  
**TO:** Corporate Services, Strategy, Risk & Accountability Cttee.  
**FROM:** Finance Department

Report Number: F-30-22

Wards Affected: All

File Numbers: 435-06

Date to Committee: September 14, 2022

Date to Council: September 20, 2022

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### **Recommendation:**

Direct the Chief Financial Officer to report back on the city's year-end strategy upon confirmation of the 2022 year-end actual.

### **PURPOSE:**

#### **Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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### **Background and Discussion:**

The COVID-19 pandemic and associated provincial restrictions have continued to impact city service delivery resulting in significant financial impacts. This report will provide an update on the financial variances anticipated to year-end.

Appendix A, The Variance Accountability Report, highlights the significant drivers that impact the 2022 year-end financial position and provides additional commentary.

#### **Strategy/process**

In order to be proactive in identifying issues and initiating actions to mitigate increased expenditures and revenue shortfalls, budgetary performance is monitored monthly to

provide an early indication of potential problems and gives management time to consider appropriate actions.

The COVID-19 pandemic continues to impact the city. It represents one of the most significant financial challenges municipalities have ever faced. As reported monthly since the onset of the pandemic to July 2022, the financial impacts of COVID-19 have been substantial. In order to reflect the temporary impacts of the pandemic on the budget, city services identified one-time budget adjustments that were supported by a one-time funding plan so as not to impact the 2022 tax increase.

### **Safe Restart Agreement Funding**

To date nearly \$20.5 million in funding has been announced under the Safe Restart Agreement. \$17M of this funding was used to offset the 2020 and 2021 year-end positions. The balance of the Safe Restart funding (\$3.4M) will be used to offset 2022 impacts including an estimated draw of \$3.3 million from the tax rate stabilization reserve fund should additional Safe Restart funding not be received. This will significantly impact the balance in that reserve fund. At the Association of Municipalities of Ontario (AMO) conference in August, members of council reiterated the need for additional safe restart funding to the Province.

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## **Financial Matters:**

### **Operating budget projections and variance analysis**

The table below summarizes the corporate wide projected variances for the year- end. Refer to Appendix A for significant revenue and expenditure variances.

	2022 Budget	2022 Year End Projections	Variance*	F/U*
City Services	\$151,236,884	\$150,456,936	\$779,948	F
Corporate Expenditures	\$53,597,479	\$55,367,031	\$(1,769,552)	U
Corporate Revenues	\$(204,896,880)	\$(204,713,427)	\$(183,452)	U
<b>Total</b>			<b>\$(1,173,057)</b>	<b>U</b>

*Numbers may not add due to rounding*

**\*F = Favourable, U = Unfavourable**

The pandemic has significantly impacted city revenues. Recreation, Community and Culture are significantly below the already reduced COVID-19 revenue estimates by \$1.38M at year end and Parking Bylaw by \$511K. In contrast, Transit revenues are trending higher than the planned COVID revenue impacts indicating \$865K in favourable revenues.

Other notable operational impacts include \$3.2M in anticipated human resource (HR) savings, this is a result of a significant number of vacancies as well as savings in part time wages. These savings in HR are offset by higher than anticipated Overtime costs, projected at \$1.3M over budget.

As inflation hits 8.1%, a 39 year high, the City records unfavourable variances of \$435K due to a rise in Fuel costs and \$572K in Contracted Services, as a result of higher than historical costs when renewing City contracts.

The City will need to make an additional provision of \$1,000,000 to the allowance account for prior tax year write offs as significant appeals relating to prior years taxes have resulted in an insufficient balance in this account.

Investment income as of June 30, 2022, has decreased compared to prior year, leading to an estimated \$500K unfavourable variance. Economic conditions in the first half of 2022 have significantly decreased prices in the bond market. This has limited the ability to achieve capital gains through active trading. This is partially offset by higher than anticipated supplementary tax revenue for current and previous years which are projected to exceed budget by \$300K.

### **2022 year-end position:**

As indicated in the table above, the year-end position reflects an unfavourable position of \$1,173,057. Of this value, \$792,919 will be offset by the additional safe restart transit funding announced in March 2022 as a result of submitted reports to the province. The remaining \$380,138 will need to be funded from the Tax Rate Stabilization Reserve Fund. As a reminder, the 2022 Covid Budget committed \$2,888,612 from the Tax Rate Stabilization Reserve Fund which left an uncommitted balance in the reserve fund of only \$1M. Members of council continue to communicate the need for additional safe restart funding to the Province through Ontario's Big City Mayors and AMO.

We will continue to update these projections through Q4. As well, services will also continue to exercise their usual due diligence when authorizing large expenditures in order to ensure savings are realized in 2022

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## **Conclusion:**

This report provides an overview of the performance of the 2022 Operating Budget and projections for the City's year-end financial position. It serves to highlight areas that will have a significant impact on the 2022 year-end financial position.

The monitoring of corporate and service expenditures and revenues, as part of the Operating Budget Performance policy, exists as a key component of the City's financial management control system. Staff will continue to scrutinize expenditure and revenue patterns for the balance of 2022.

Our intended outcome through these challenging times is to minimize a year-end unfavourable financial position. Without additional safe restart funding, significant draws will be required on City reserve funds, this will impact the City's ability to mitigate future risks.

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Respectfully submitted,

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## **Appendices:**

A. Variance Accountability Report

## **Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.