



**SUBJECT: Operating budget performance report as at December 31, 2023 and summary of year end financial position**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-15-24

Wards Affected: All

File Numbers: 435-5

Date to Committee: March 4, 2024

Date to Council: March 19, 2024

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**Recommendation:**

Receive and file finance department report F-15-24 which reports on the 2023 year-end financial position and retained savings disposition; and

Direct the Acting Chief Financial Officer to allocate the 2023 retained savings based on the strategy outlined in finance department report F-15-24.

**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 2023 Operating Budget Performance Report (F-33-23) as at June 30, 2023 recommended:

“Direct the Director of Finance to report back on the city’s retained savings strategy upon confirmation of the 2023 year-end actual.”

This report outlines the financial variances realized during 2023. Additional detail is provided in the attached Appendix A, which lists cost elements with a significant

favourable or unfavourable 2023 variance of +/- \$100,000 and provides explanatory notes outlining major drivers.

**Strategy/process**

In order to be proactive in identifying issues and initiating actions to mitigate over expenditures and revenue shortfalls, budgetary performance is monitored regularly to provide an early indication of potential problems and gives management time to consider appropriate actions.

**Financial Matters:**

The 2023 retained savings is \$1,136,504 subject to the year-end audit.

	<b>2023 Budget</b>	<b>2023 Actual (Unaudited)</b>	<b>Variance Fav./(Unfav.)</b>
City Services	\$150,964,650	\$150,782,860	\$181,791
Local Boards & Committees	\$16,239,368	\$16,205,074	\$34,294
Corporate Expenditures	\$65,161,028	\$65,859,369	\$(698,341)
Corporate Revenues	\$(232,365,046)	\$(233,983,805)	\$1,618,759
<b>Total</b>			<b>\$1,136,504</b>

Note: figures may not add up due to rounding

As is usual practice, accounts payable, year-end accruals and year-end transfers to/from reserves funds have been made in 2023.

The following tables provide information regarding transfers to and from reserve funds for the City's net zero operations:

<b>Business Transfers</b>	<b>2023 Transfer Amount</b>	<b>Reserve Fund Balance (Dec. 31, 2023)</b>
Transfer to/(from) Parking District Reserve Fund	\$918,727	\$11,271,340
Transfer to/(from) Paletta Mansion Reserve Fund	\$130,365	\$915,011
Transfer to/(from) Tyandaga Reserve Fund	\$147,217	\$513,231
Transfer to/(from) LaSalle Park Pavilion Reserve - Fund	\$(101,244)	\$411,355
Transfer to/(from) Discovery Landing Reserve Fund	\$66,688	\$110,387

**Development Application Reserve Funds**

In 2005, the Engineering Fee Stabilization Reserve Fund, the Building Permit Stabilization Reserve Fund and the Planning Fee Stabilization Reserve Fund were created (refer to BP-10-05) to ease budget pressures should development revenues slow down due to economic and/or market conditions.

As of December 31, 2023, the following year-end transfers were made prior to the calculation of the year-end retained savings.

<b>Transfers</b>	<b>2023 Budget Revenues</b>	<b>2023 Actual Revenues (Unaudited)</b>	<b>2023 Provision to / (from) Reserve Fund</b>	<b>Reserve Fund Balance (Dec. 31, 2023)</b>
Engineering Fee Stabilization	\$75,000	\$158,156	\$83,156	\$463,002
Building Permit Stabilization	\$5,660,977	\$6,986,356	\$1,325,379	\$6,355,211
Planning Fee Stabilization	\$4,357,830	\$2,984,386	(\$1,373,444)	\$1,980,842

**Engineering Fee Stabilization Reserve Fund**

The increase in Subdivision Administration Fees has resulted in a provision of \$83,156 to the reserve fund. The reserve fund will be used over the next five years to phase out our reliance on this funding source in the budget.

### **Building Permit Stabilization Reserve Fund**

Building permit services are based on a “Fee for Service” model that is not supported by municipal taxes and is in full compliance with legislation. The intent behind establishing a Building Permit Stabilization Reserve fund is to provide municipalities with a sustainable tool for providing and maintaining building permit and inspection services throughout a fluctuating construction industry and overall economy. The Building Permit revenues for 2023 are \$5,660,977. These revenues are offset by expenditures (both direct and indirect as per the Bill 124 model), resulting in a provision the reserve fund of \$1,325,379. Building experienced higher than budgeted revenues as a result of record high permit activity for new townhouse blocks compared to previous years.

### **Planning Fee Stabilization**

Planning fee revenues experienced an unfavourable variance of \$1,373,444. High interest rates, market conditions and other external factors led to a significant reduction in application volume in 2023. In addition, instability in terms of the legislative and regulatory environment contributed to application reduction. Homeowners opted to re-invest in their homes through renovations, additions and creation of Additional Residential Units. The unfavourable variance in revenues was offset with a draw from the Planning Fee Reserve Fund.

### **Recommended Retained Savings Dispositions**

As mentioned, the 2023 unaudited retained savings are \$1,136,504. It is recommended that the funds be allocated as follows: *(Note: Where reserve fund balances are provided, they reflect the balance prior to recommended disposition).*

- **\$1,000,000 Provision to Multi Year Community Investment Plan**

The Multi Year Community Investment Plan (MCIP) estimates capital infrastructure requirements related to master plans completed to date (Parks Provisioning Master Plan, Integrated Mobility Plan, Fire Master Plan, etc.) as well as land requirements that may facilitate some of these infrastructure developments. The preliminary MCIP was presented in April 2022 (CM-03-22). Phase 2 of the Plan was presented to Council in December of 2023 (F-26-23) and highlighted capital infrastructure needs of approximately \$1.1 billion over the next 25 years. The 2024 Financial Needs and Multi-Year Forecast recommended a provision of \$2,200,000 to a reserve fund to begin a funding plan towards these needs. Through budget deliberations, this provision was reduced to \$975,871. The allocation of \$1,000,000 in retained savings towards the MCIP will assist the City in executing on its master plans.

- **\$136,504 Provision to Tax Rate Stabilization Reserve Fund**

It is recommended that \$136,504 be set aside to finance one-time expenditures. Over the last few years numerous spending commitments have been placed on the Tax Rate Stabilization Reserve Fund. This transfer amount will replenish prior one-time funding drawn from the reserve fund and serve as prudent planning to absorb any future potential unbudgeted expenses. The uncommitted balance in this reserve fund is \$3,403,530.

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**Conclusion:**

This report provides Committee and Council with the City's preliminary unaudited 2023 year-end position and recommends the disposition the retained savings to reserves, reserve funds and balance sheet accounts.

Respectfully submitted,

Gurpinder Grewal

Financial Analyst, Budgets & Policies

**Appendices:**

A. 2023 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.