



REPORT

TO: Mayor Lawlor and Members of Council

FROM: Amy Prueter, Manager of Budgets and Financial Reporting

DATE: August 26, 2024

REPORT NO.: CS-2024-027

SUBJECT: Operating Budget Status as at May 31, 2024

RECOMMENDATION:

THAT Report No. CS-2024-027 dated August 26, 2024 regarding the Operating Budget Status as at May 31, 2024 be received for information.

KEY POINTS:

The following are key points for consideration with respect to this report:

- This report provides an overview of the operating results as at May 31, 2024.
- A preliminary projection of the operating budget as at December 31, 2024 is provided based on current trends and commitments known at the time the report was compiled.
- The Town is currently projecting that 2024's operating results will be close to budget, with a small net surplus of \$306,155
- Final operating results will not be known until the 2024 year-end audit is completed, in the Spring of 2025.

BACKGROUND AND DISCUSSION:

The purpose of this report is to provide Council with an early update on the 2024 operating budget results. Table 1 below summarizes the Town's 2024 actual operating activities from January 1 to May 31 inclusive. Then, using projections based on the May 31, 2024 results and factors that have been identified as having an impact in 2024, staff have included a preliminary operating forecast to December 2024 that is very close to budget, with an estimated small net surplus of \$306,155.

Table 1

Department	2024 Budget	2024 Actual & Forecast			Variance to Budget
		Actual		Total	
		YTD May 31	Jun 1 - Dec 31		
Council	\$ 871,300	\$ 346,589	\$ 415,907	\$ 762,496	\$ 108,804
Office of the CAO	3,448,800	1,291,798	1,820,705	3,112,503	336,297
Community Services	12,233,650	3,880,467	7,468,240	11,348,707	884,943
Corporate Services	7,356,200	3,391,121	3,766,408	7,157,529	198,671
Library Services	4,247,500	1,684,071	2,546,853	4,230,924	16,576
Fire Services	10,319,800	4,109,706	7,013,750	11,123,456	(803,656)
Transportation & Public Works	17,698,100	6,840,065	10,783,598	17,623,663	74,437
Planning & Development	1,936,900	891,582	819,993	1,711,576	225,325
Corporate	3,764,000	1,768,208	2,513,414	4,281,622	(517,622)
Capital Financing & Other	11,816,045	2,381,300	9,434,745	11,816,045	-
Total Net Expenditures	\$ 73,692,295	\$ 26,584,907	\$ 46,583,613	\$ 73,168,521	\$ 523,775
Corporate Revenues	(5,995,200)	(3,223,241)	(2,554,339)	(5,777,580)	(217,620)
Total General Levy & Special Levies	(69,968,495)	(69,968,495)	-	(69,968,495)	-
Transfer Special Levies to Reserves	2,271,400	2,271,400		2,271,400	
Net Total	\$ -	\$ (44,335,429)	\$ 44,029,274	\$ (306,155)	\$ 306,155

With the exception of Fire Services, which is addressed in the departmental section of this report, the main variances to budget for 2024 are expected to be within the Town's Corporate functional areas.

Corporate Expenses

Legal Costs

In recent years, the Town has experienced an increase in legal costs due to many different types of legal files, such as Development Charges appeals, Planning file appeals, Enforcement cases and employment related matters. In the main, this trend is expected to continue in 2024 with an anticipated overspend of \$225K, related to Ontario Land Tribunal cases, but legal costs related to enforcement and general Town matters are expected to be on budget at this time. However, due to the unpredictable nature of enforcement and employment related legal costs, this area is subject to change as the end of the year approaches.

Insurance Costs

Insurance premium costs are another type of corporate expense that has been increasing in recent years. Currently this expense line is expected to be underbudget at year-end. In addition to the softening of the insurance market, staff have implemented a number of risk mitigation strategies resulting in lower premiums that have served to offset insurance settlement payouts. Managing smaller claims in-house and using the

services of an insurance adjuster is part of the cost-mitigation strategy the Town has employed to reduce and contain insurance costs. As with legal expenses, insurance costs can also fluctuate due to the unpredictable nature and volume of claims, staff will continue to monitor these variances monthly with the Senior Management Team.

Salary Gapping

The corporate budget includes a \$560,000 provision for expected salary gapping in 2024. This provision serves to recognize that for every position that becomes vacant there will be a time delay in hiring a new employee. The provision was established using an estimated historic average number of vacant positions; the estimated time to rehire, plus an average salary. The savings related to salary gapping are held at the departmental level and are tracked regularly as part of the reporting cycle.

Currently, there is approximately \$757,000 in salary gapping savings for full-time staff positions at the departmental level, due in part to the introduction of new positions through the 2024 budget and the associated recruitment time. Once the corporate provision of \$560,000 is netted against the savings, the net salary gapping surplus is anticipated to be \$197K.

Corporate Revenues

Corporate Revenues are expected to result in a year-end deficit due to a \$200K reduction in the amount of dividends receivable from Halton Hills Community Energy Corporation (HHCEC).

The following sections provide a summary of the anticipated 2024 operating results at the December 2024 year end, by department, as outlined in Appendix 1.

Council

The Council department is forecasting a year-end surplus of \$108,804 (12.5%) due to general savings within administrative and discretionary expenses for members of Council.

Office of the CAO

The Office of the CAO is projecting a year-end surplus of \$336,297 (9.8%). The surplus is the result of staffing changes and vacancies within the department, as well as cost savings in part-time wages. In addition, Business License fee revenue is expected to result in a small surplus at the end of the year.

Community Services

Community Services is projecting a year-end surplus of \$884,943 (7.2%). The surplus is primarily due to positive variances to budget in revenues, savings from unfilled staff positions, and an internal restructuring.

The projected revenue surplus of \$779,515, includes various grants and/or donations, increased usage at community facilities for ice rentals and public skating, and higher registration and rental revenues from Recreation Services. However, there is an anticipated unfavourable variance to budget in utilities, services & others, primarily due to the anticipated overrun in hydro expenses. Total salaries and benefits will be under budget due to several staff vacancies and an internal reorganization.

Corporate Services

Corporate Services is projecting a surplus of 198,671 (2.7%) in 2024, resulting mostly from staff gapping. Staff turnover vacancies and leaves of absence have resulted in savings that are partially offset by the cost of backfilling positions with contract staff. System maintenance contracts are expected to be overbudget as new security measures are introduced, however savings in contracted services are expected to largely offset these costs.

Library Services

Library Services are projecting a year-end surplus of \$16,576 (0.4%) for 2024. A favourable salary gapping variance is being driven by a vacancy at the manager level and also a librarian role. Training costs are expected to be overbudget as staff development has increased in 2024, and other small deficits throughout the department are expected to be offset by the savings in salary gapping, which are not reduced by the Town's corporate gapping provision.

Fire Services

Fire Services is projecting a year-end deficit of \$803,656 (7.8%) in 2024. The main driver is the projected deficit in salaries and benefits due to increased overtime for the 24/7 operations of the fire stations, backfilling costs related to multiple leaves of absence, and part-time wages. Other expenses are over budget due to dispatch service costs in 2024, fire fleet-related expenses, and inflationary increases in material costs.

Transportation & Public Works

Transportation and Public Works is projecting a year-end surplus of \$74,437 (0.4%). There are several key drivers that offset each other due to timing and recognition of revenue and expenses in the Building department. The department shows a large revenue surplus and a corresponding deficit in transfers to reserves, resulting in a minimal net impact.

Projected shortfalls in development agreement and taxi scrip revenues are offset by savings in expenses. Staff vacancies, partially covered by contract staff, contribute to overall savings in salaries and benefits. While general materials and supplies are

expected to be under budget, vehicle supplies and repair costs are projected to exceed budget due to price increases and necessary repairs on essential equipment.

Planning & Development

Planning and Development is projecting a year-end surplus of \$225,325 (11.6%). The surplus is driven by position vacancies within the Policy and Development divisions however the overall savings are expected to be reduced by a projected deficit in revenues related to the processing and reviewing of new development applications.

STRATEGIC PLAN ALIGNMENT:

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement was not needed as this report is administrative in nature.

INTERNAL CONSULTATION:

Finance staff consulted with department staff to develop the operating forecast to December 31, 2024 and provide a commentary for inclusion in this report.

FINANCIAL IMPLICATIONS:

This report is administrative in nature and does not have any financial implications.

Staff is currently forecasting that the December 31, 2024, operating results will be close to budget with a small surplus of \$306,155. The final operating results will be determined when the 2024 year-end audit is completed, in the Spring of 2025.

Reviewed and approved by,

Moya Jane Leighton, Director of Finance & Town Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer