



## REPORT

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**TO:** Mayor Lawlor and Members of Council

**FROM:** Amy Prueter  
Manager of Budgets and Financial Reporting

**DATE:** December 9, 2024

**REPORT NO.:** CS-2024-041

**SUBJECT:** Operating Budget Status as at September 30, 2024

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### RECOMMENDATION:

THAT Report No. CS-2024-041 dated December 9, 2024, regarding the Operating Budget Status as at September 30, 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 budget status as at September 30, 2024.
- The Town is projecting a net overall surplus of \$136,325 for 2024 based on operating results from January 1 to September 30 and known operating impacts for the balance of the year.
- Final operating results for 2024 will not be known until the year-end audit is completed.

### BACKGROUND AND DISCUSSION:

The purpose of this report is to provide Council with an update on the actual and projected operating results compared with the 2024 operating budget. Table 1 below summarizes the Town's actual operating activities for the period January 1 to September 30, 2024. Additionally, based on the results on September 30, 2024, and considering various factors that may influence the budget throughout the year, staff have prepared a preliminary operating forecast for December 31, 2024. Currently, the forecast closely aligns to budget, with an estimated net surplus of \$136,325.

**Table 1**

Department	2024 Budget	2024 Actual & Forecast			Variance to Budget
		Actual	Forecast	Total	
		YTD Sep 30	Oct 1 - Dec 31		
Council	\$ 871,300	\$ 590,400	\$ 207,353	\$ 797,753	\$ 73,547
Office of the CAO	3,448,800	2,255,358	948,757	3,204,115	244,685
Community Services	12,233,650	7,841,630	3,419,354	11,260,984	972,666
Corporate Services	7,356,200	5,673,088	1,616,495	7,289,583	66,617
Library Services	4,247,500	2,975,704	1,133,581	4,109,285	138,215
Fire Services	10,319,800	8,167,308	3,208,266	11,375,574	(1,055,774)
Transportation & Public Works	17,698,100	13,986,760	3,595,738	17,582,497	115,603
Planning & Development	1,936,900	1,663,293	200,607	1,863,899	73,001
Corporate	3,764,000	4,167,663	226,966	4,394,629	(630,629)
Capital Financing & Other	14,087,445	16,421,057	(2,333,612)	14,087,445	-
<b>Total Net Expenditures</b>	<b>\$ 75,963,695</b>	<b>\$ 63,742,262</b>	<b>\$ 12,223,504</b>	<b>\$ 75,965,766</b>	<b>\$ (2,071)</b>
Corporate Revenues	(5,995,200)	(5,976,693)	(156,902)	(6,133,596)	138,396
Levies & Special Levies	(69,968,495)	(69,968,495)	0	(69,968,495)	(0)
<b>Net Total</b>	<b>\$ (0)</b>	<b>\$ (12,202,927)</b>	<b>\$ 12,066,601</b>	<b>\$ (136,325)</b>	<b>\$ 136,325</b>

The main variances to budget for 2024 are expected to be within the Town's Corporate functional areas. In addition, Community Services and Fire Services have significant variances which are addressed in the departmental section of this report.

## **Corporate Expenses and Revenues**

### **Legal Costs**

In recent years, the Town has seen a rise in legal expenses attributed to various types of legal matters, including Development Charges appeals, Planning file appeals, enforcement cases, and employment-related issues. This trend is expected to persist, with a projected 2024 year end overspend of \$225K associated with Ontario Land Tribunal cases and an additional \$50K in enforcement related legal costs. However, given the unpredictable nature of enforcement and employment-related legal expenses, these projections may fluctuate as the year concludes.

### **Insurance Costs**

Insurance premium costs are another type of corporate expense that has been increasing in recent years. In 2024, the insurance market softened slightly and combined with the implementation of risk mitigation strategies, this expense line is expected to result in a net favourable position at year-end. Lower premiums costs are projected to offset increased insurance settlement payouts. As with legal expenses, insurance costs can also fluctuate due to the unpredictable nature and volume of claims.

## 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 \$939,000 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 because of the increased time it is taking to recruit for vacant positions. Once the corporate provision of \$560,000 is netted against the departmental savings, the net salary gapping surplus is anticipated to be \$379K.

## Corporate Revenues

Corporate Revenues are expected to result in a year-end surplus of \$138K. This is a change from earlier forecasts and is attributable to penalties charged on an increased number of late property tax payments. Penalty revenues have exceeded the 2024 budget and are expected to continue until the end of the year-end. This surplus in revenue will mitigate the unbudgeted \$200K reduction in dividends receivable from Halton Hills Community Energy Corporation (HHCEC).

## Department Summary

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 \$73,547 (8.4%) 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 \$244,685 (7.1%). The surplus is the result of staffing changes and vacancies within the department, as well as cost savings in part-time wages from the unfilled summer student position. In addition, fee revenue from business and marriage licenses is expected to result in a small favourable variance to budget at the end of the year.

## Community Services

Community Services is projecting a year-end surplus of \$972,666 (8.0%). The surplus is primarily due to favourable variances to budget, from revenues, and staffing related cost savings from unfilled positions and internal restructuring.

The projected favourable revenue variance of \$988,157 includes unbudgeted funding from grants and donations, increased usage of community facilities, and increased recreation program registrations as attendance levels continue to rebound.

This favourable variance serves to fund the forecast budget shortfall in the utilities, services and others category of \$254,458, primarily driven by an overrun in hydro expenses. Total salaries and benefits will be under budget due to several staff vacancies and internal restructuring.

## Corporate Services

Corporate Services is projecting a surplus of \$66,617 (0.9%) 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. Additionally, system maintenance contracts are anticipated to exceed budget due to the implementation of new security measures. However, savings in contracted services are expected to help mitigate these additional costs.

## Library Services

Library Services is projecting a year-end surplus of \$138,215 (3.3%) for 2024. A favourable salary gapping variance is being driven by staff vacancies in a specialist and a librarian role. This surplus will offset deficits in other areas of the operating budgets such as increased training costs from staff development and repairs for electrical and data line work.

## Fire Services

Fire Services is projecting a year-end deficit of \$1,055,774 (10.2%) in 2024. The main driver is increased salaries and benefits due to overtime requirements 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 \$115,603 (0.7%). There are several key drivers that offset each other due to timing and recognition of revenue and expenses in the Building department. There is a large surplus on the revenue line, but this is offset by a corresponding increase in the financing and external transfers line, which serves to transfer unearned fee revenues to a reserve fund. The net result of this has an immaterial effect on the operating budget.

In other areas of this budget, there are projected shortfalls in development application and agreement revenues and ActiVan and taxi scrip revenues are also projected to

have a shortfall, however there are offsetting savings on the expenditure side for ActiVan.

Staff vacancies, partially filled by contract personnel, represent the primary source of savings in salaries and benefits contributing significantly to the overall surplus. Additionally, savings are anticipated from lower-than-expected usage of salt and sand. These savings will help offset vehicle supply and repair costs that are projected to exceed budgeted levels due to price increases and the need to carry out more essential equipment repairs than planned.

#### Planning & Development

Planning and Development is projecting a year-end surplus of \$73,001 (3.8%). The surplus is primarily driven by position vacancies within the Policy and Development divisions. These savings, however, are forecast to reduce the projected shortfall in revenues which are related to a lower volume 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 \$136,125. 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, Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer