



## REPORT

**REPORT TO:** Community and Corporate Affairs Committee

**REPORT FROM:** Duncan Robertson, CPA, CMA  
Budgets & Financial Reporting Supervisor

**DATE:** July 30, 2019

**REPORT NO.:** CORPSERV-2019-0032

**RE:** Operating Budget Status as at June 30, 2019

### RECOMMENDATION:

THAT Report No. CORPSERV-2019-0032, dated July 30, 2019, regarding the Operating Budget Status as at June 30, 2019 be received for information.

### BACKGROUND:

The purpose of this report is to provide Council with an update on the 2019 Operating Budget results. Appendix A summarizes the Town's 2019 actual operating activities from January 1 to June 30 inclusive.

### COMMENTS:

Using projections based on June 30, 2019 results, staff currently forecasts that there will be a surplus of \$1,071,578 by December 31, 2019. The forecasted surplus is comprised of \$240,658 in net expenditures and \$830,920 in corporate revenue. The main surplus drivers for each section are staff gapping and supplementary taxes respectively.

As shown in the corporate revenue section in Appendix A, it is forecasted that the Town will receive an additional \$688,532 from supplementary taxes in 2019. Supplemental assessment occurs when new construction is completed or when there is an increase in the value of property during the current tax year, e.g., after a major renovation/addition. The timing of supplementary assessment is dependent upon the completion of construction and subject to an independent review by MPAC. As such, accurate forecasting of these unknown variances cannot be accomplished during the budget process.

There is currently \$1,418,797 in full-time staffing gaps year-to-date, as outlined in Appendix B, offset by a budgeted contingency for gapping of \$308,300. The majority of the gapping amount is attributable to the timing of recruitment for new positions approved in the 2019 budget. The budget for contingency is intended to account for expected gapping due to existing employee turnover; staff endeavours to mitigate these vacancies through backfilling, which partially offsets the surplus from gapping. The budgeted contingency for gapping will be reviewed during the 2020 budget process.

The following is a synopsis of operating results provided by each Department Head for inclusion in this report.

### Council

The Council department is forecasting a year-end surplus of \$84,486 (8.9%); resulting from the reallocation of the Cultural Roundtable Committee budget to Cultural Services (under Office of the CAO) in the amount of \$51,900. Additionally, there are generalized 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 \$66,184 (2.3%). The surplus is the result of staffing changes and vacancies within the Department, as well as cost savings in part-time wages. The Cultural Roundtable funds reallocated to Cultural Services partially offsets the surplus – this budgetary change will be formally addressed in the 2020 budget.

### Corporate Services

Corporate Services is forecasting a surplus of \$318,812 (5.8%) in 2019, resulting mostly from staff gapping. The majority of gapping is comprised of savings resulting related to the recruitment for three new positions in Information Services. These positions were approved in the 2019 budget to address the resourcing gaps identified in the Corporate Technology Strategic Plan. Additional savings resulting from staff on long term leave, as well as increased revenue brought in from the issuance of tax information, are also expected to contribute to the overall surplus.

### Library Services

Library Services are projecting a year-end surplus of \$3,915 (0.10%) for 2019. The Library anticipates additional revenue from program registration and general recoveries that will fund various Library programs and initiatives. An overall decrease in fines revenue is expected, which will be offset by savings in staff wages due to position vacancies.

## Fire Services

A year-end surplus of \$570,113 (7.9%) is forecasted in Fire Services, as a result of savings in the recruitment for new positions in the 2019 budget. The 2019 budget approved the acceleration of the Fire Services Master Plan to extend the existing 12 hour full-time manned truck at Acton station to 24 hour service, effectively improving emergency response time throughout Halton Hills. The recruitment process was completed in July with the hiring of nine full-time firefighters.

## Transportation & Public Works

The Transportation & Public Works Department is projecting a year-end deficit of \$37,197 (-0.3%). The deficit is driven by higher costs in winter control activities that are expected to be partially offset by savings in position vacancies in Transportation and Design & Engineering.

For the period, Public Works recognized above-average costs related to winter control activities. Labour hours, winter control materials (salt, sand and pickled sand), and equipment usage all exceeded average levels for the same period for the past five years. Labour usage was 5,752 hours above the average, equipment usage was 3,316 hours above the average, and material usage was 2,366 tonnes above the average for the period. This culminates into approximately \$291,487 above the average spending levels on winter control year to date in 2019 and leaves less than usual in the budget to cover costs for winter control response in the latter part of the year. There were also additional unexpected costs associated with the ice removal and flooding of the Credit River. As the Town's winter control response is managed based on public safety, a deficit is being projected for the Public Works department due to these increased costs.

## Planning & Sustainability

The Planning and Sustainability Department is projecting a net year-end surplus of \$83,424 (5.4%). The surplus is driven by position vacancies within Planning; however, the overall savings are reduced by a projected deficit in revenues generated for processing and reviewing new development applications and agreements. Lower projected revenues are a result of reduced volume in new developments for the year.

## Recreation & Parks

The Recreation and Parks Department is projecting a year-end surplus of \$134,378 (2.0%). There is an anticipated savings in core salary costs due to staff vacancies, as well as generalized savings in materials and utilities costs. These savings will offset the expected deficit in arena ice revenue, which will be addressed in the 2020 budget.

### Corporate Expenses

Corporate expenditures such as legal services, financing, insurance, advertising, health and safety, professional development, and voice and data coverage, are included in the Corporate Expenses operating budget.

Corporate expenses are anticipated to be at a year-end deficit of \$983,457 (-66.5%), resulting from additional legal expenditure of \$368,643, allowance for uncollectable accounts of \$293,000 and a budgeted deficit of \$308,300 in contingency for salary gapping. The contingency is established based on historic employee turnover and will be reviewed in the 2020 budget process.

### Capital Financing & Other

The Capital Financing section, which includes all budgeted transfers to reserves and debenture payments, is anticipated to be at budget.

### Corporate Revenue & General Levy

Corporate revenues are forecasted to yield a surplus of \$830,920 (1.5%), as a result of favourable supplementary tax revenues.

### **RELATIONSHIP TO STRATEGIC PLAN:**

This report supports the following strategic objectives:

- Establish sustainable financing, asset management and master plans to acquire, operate, maintain, renew and replace infrastructure.
- Continue to provide timely and transparent communications with the Town's residents and business owners.

### **FINANCIAL IMPACT:**

December 31, 2019 forecast numbers are provided as information only. Final results will be confirmed after the 2019 year-end audit is completed.

### **CONSULTATION:**

Accounting staff consulted with all Department Heads to confirm the operating forecasts for December 31, 2019 year-end and received a synopsis of comments from each for inclusion in this report.

### **PUBLIC ENGAGEMENT:**

No public engagement required in reference to this report.

**SUSTAINABILITY IMPLICATIONS:**

The sustainability implications of the recommendations of the report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. The Worksheet is completed for substantial non-administrative reports, major projects, studies, policies and initiatives that are relevant to advancing the Town's economic, cultural, environmental and social wellbeing, and quality of life. Since this report is none of the latter, the Sustainability Implications section is not applicable.


**COMMUNICATIONS:**

There is no communications impact.

**CONCLUSION:**

Staff currently forecasts a December 31, 2019 operating surplus amount of \$1,071,578, with staff gapping and supplementary taxes being the main drivers of this surplus. Final results will not be known until the year-end audit is completed in mid-2020.

Reviewed and Approved by,



Moya Jane Leighton, Manager of Accounting and Town Treasurer



Jane Diamanti, Commissioner of Corporate Services



Brent Marshall, Chief Administrative Officer