

**Date:** 2023-11-06

**Subject:** **2023 Third Quarter Operating Budget Forecast**

**Contact:** **Nash Damer, Treasurer, Finance**

**Report Number:** Corporate Support Services-2023-972

**Recommendations:**

1. That the report from Nash Damer, Treasurer, Finance to the Committee of Council Meeting of November 29<sup>th</sup>, re: **2023 Third Quarter Operating Budget Forecast**, be received;

**Overview:**

- **Based on operating results as at September 30, the Corporation is forecasting a year-end operating surplus of \$2.9 million. This variance represents 0.3% of total budgeted expenditures of \$845.0 million.**
- **The \$2.9 million surplus is attributed to \$3.3 million in additional revenue, combined with \$15.8 million of labour savings, offset by \$16.3 million of other expenditure deficits.**

**Background:**

The City's financial management policies require staff to provide Council with periodic status updates related to the City's finances. This report is focused on updating Council on the status of the City's 2023 third quarter operating budget.

## Current Situation:

### 2023 Operating Budget

Based on operating results as at September 30, 2023, the Corporation is forecasting a year-end operating surplus of \$2.9 million. This variance represents 0.3% of total budgeted expenditures of \$845.0 million.

The \$2.9 million surplus is attributed to \$3.3 million in additional revenue, \$15.8 million in labour savings, offset by \$16.3 million in other expenditure deficits.

<b>CORPORATE-WIDE VARIANCE</b>	<b>2023 Q3 YE FORECAST</b>
Revenue Surplus	(3,320)
Labour Savings	(15,849)
Other Expenditures Deficit	16,310
<b>FORECASTED YEAR-END SURPLUS</b>	<b>(2,859)</b>

The following tables provide departmental breakdowns of the 2023 Operating Budget forecasted year-end results.

TABLE 1: 2023 DEPARTMENTAL VARIANCE SUMMARY

DEPARTMENTAL VARIANCE	Annual Net Budget	Q3 YE Projection	(Favourable) / Unfavourable Variance	
Departments	(\$000s)			%
Brampton Public Library	20,575	20,575	-	0%
Community Services	84,661	81,634	(3,027)	-4%
Corporate Support Services	68,029	69,315	1,286	2%
Fire & Emergency Services	90,126	87,217	(2,909)	-3%
Legislative Services	11,711	12,163	452	4%
Mayor & Members Of Council	5,545	5,256	(289)	-5%
Office of the CAO	17,116	14,197	(2,919)	-17%
Planning, Building & Growth Management	1,851	69	(1,782)	-96%
Public Works & Engineering	85,905	86,463	558	1%
Transit	91,657	73,300	(18,357)	-20%
Gapping	(18,640)	-	18,640	-100%
<b>DEPARTMENTAL VARIANCE : SURPLUS</b>			<b>(8,348)</b>	
<b>GENERAL GOVERNMENT VARIANCE: DEFICIT</b>			<b>5,489</b>	
<b>FORECASTED YEAR-END SURPLUS</b>			<b>(2,859)</b>	

TABLE 2: DEPARTMENT HIGHLIGHTS

The Department Highlights section provides further breakdown of the year-end forecast by account category.

Departments	Labour Expenditures	Other Expenditures	Revenues	(Favourable)/ Unfavourable Variance
Brampton Public Library	0	0	0	0
Community Services	(5,354)	591	1,736	(3,027)
Corporate Support Services	(2,742)	5,782	(1,754)	1,286
Fire & Emergency Services	(3,664)	0	755	(2,909)
Legislative Services	(2,055)	486	2,022	452
Mayor & Members Of Council	138	(428)	0	(289)
Office of the CAO	(688)	(1,338)	(893)	(2,919)
Planning, Building & Growth Management	(5,249)	60	3,408	(1,782)
Public Works & Engineering	(1,908)	958	1,508	558
Transit	(12,641)	6,322	(12,038)	(18,357)
General Government	(327)	3,878	1,937	5,489
Gapping	18,640	0	0	18,640
<b>YEAR-END FORECAST</b>	<b>(15,849)</b>	<b>16,310</b>	<b>(3,320)</b>	<b>(2,859)</b>

### Community Services

Overall, Community Services is projecting a favourable variance of \$3.0 million, primarily due to Parks Maintenance & Forestry and Recreation.

Parks Maintenance & Forestry division's overall surplus of \$1.9 million is due to savings in labour and other expenditures. The division experienced significant challenges in its ability to hire seasonal staff throughout the year and attempted to mitigate this shortfall through student hires, where possible.

The Recreation division's overall surplus of \$1.0 million is due to \$4.0 million savings in labour offset by \$1.3 million overage in other expenditures and \$1.7 million revenue shortfall. Recreation is seeing incremental improvements in the ability to hire PT staff across most operational and program areas, with challenges in specialty areas remaining evident (e.g. aquatics, specialty camps). While Recreation is currently operating and offering programs close to pre-pandemic levels across many program

areas, PT staffing is still not at full capacity, thus resulting in shortfalls in Lessons and Programs offerings which is forecasted to result in \$1.7M revenue deficit.

#### Corporate Support Services

Corporate Support Services is projecting an overall deficit of \$1.3 million, primarily due to significant increases in WSIB fees. Further analysis is currently underway to determine the 2024 budget impact as well as the WSIB reserve fund target balance to address any future potential liabilities.

#### Fire & Emergency Services

Fire & Emergency Services' overall surplus of \$2.9 million is mainly due to savings in labour partially offset by revenue shortfall.

#### Legislative Services

Legislative Services is projecting an unfavourable variance of \$0.5 million, primarily due to the Court Administration division.

The Court Administration division's overall deficit of \$2.8 million has been largely due to decrease in Parking Violations and MTO Plate Denial Revenue, which is resulting in a projected deficit of \$3.4M, partially offset by savings in wages and other expenditures. This is primarily due to the elimination of the license plate sticker program, which has resulted in individuals not being aware of the need to renew plates. As a result, fewer fines are being collected through plate denial. Additionally, there is a lack of judicial resources leading to the closure of courts.

The Court Administration's deficit is offset by labour savings in Enforcement and By-Law Services and Legal Services, in addition to a revenue surplus of \$1.0 million in the City Clerk section, which is driven by higher license revenues.

#### Office of the CAO

Overall, the Office of the CAO is projecting a favourable variance of \$2.9 million. This is primarily due to savings in labour and other expenditures in most divisions, as well as \$0.8 million additional revenue due to unanticipated external government funding.

#### Planning, Building & Growth Management

Planning, Building & Growth Management is projected to have an overall surplus of \$1.8 million, due to labour savings and revenue surplus from the Development Services & Design section.

The Building division is forecasting lower than anticipated permit and zoning revenue in the amount of \$4.6 million, offset by labour savings in the amount of \$3.4 million and

other expenditures in the amount of \$0.3 million, leading to an overall projected deficit of \$0.9 million.

### Public Works & Engineering

Public Works & Engineering anticipates an unfavorable overall variance of \$0.6 million due to reduced parking revenues (\$0.6 M) caused by ongoing downtown construction and decreased rental income (\$0.9 M). Additionally, there are expected overages of \$1.0 million in Other Expenditures, including Utilities, Winter Maintenance, Fleet Fuel, Vehicle Repair & Maintenance, and Automated Speed Enforcement.

However, the revenue shortfall and expenditure increase are largely mitigated by a favorable variance of \$1.9 million resulting from labor expenditures due to staff vacancies.

### Transit

The Transit department is projecting a net surplus of \$18.4 million driven by \$12.0 million in additional revenues and \$12.6 million in labour savings, offset by \$6.3 million in other expenditure pressures. The projected Transit revenue surplus is based on current ridership trends, which is almost 30% higher compared to pre-pandemic levels.

### General Government

WSIB costs for the Corporation have significantly increased and resulted in the WSIB reserve declining to a negative position of \$3.2 million as of year-end 2022. In order to eliminate the negative balance in the WSIB reserve, the 2023 year-end forecast includes a \$3.2 million contribution to this reserve.

Investment income transferred to the operating budget is projecting an unfavourable variance of \$1.9 million, which is offset by an equivalent increase in revenue being allocated to capital reserves. There is no net revenue loss overall and the 2024 budget includes adjustments to address this variance.

### Gapping

Gapping is a corporate provision in General Government to offset the impact of vacancies savings through the Corporation, thereby aligning property tax collections with business requirements. The overall budgeted gapping provision for 2023 is \$18.6 million, which is projected to be offset by a favourable variance in labour expenditures of \$34.4 million, resulting in \$15.8 million in labour savings.

**Corporate Implications:**

N/A

**Strategic Focus Area:**

- **Government & Leadership:** Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

**Conclusion:**

As of September 30, the Corporation is forecasting a year-end operating surplus of \$2.9 million. This variance represents 0.3% of total budgeted expenditures of \$845.0 million.

Staff will continue to monitor the financial performance and will report to Council on the final year-end position through the 2023 Year End Operating Budget report.

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