



Report
Staff Report
 The Corporation of the City of Brampton
 5/22/2024

Date: 2024-04-16

Subject: **2023 Year-End Operating Budget Report**

Contact: Nash Damer, Treasurer, Finance

Report number: Corporate Support Services-2024-361

RECOMMENDATIONS:

1. That the report from Nash Damer, Treasurer, Finance to the Committee of Council Meeting of May 22, 2024, re: **2023 Year-End Operating Budget Report**, be received;
2. That the 2023 year-end net operating surplus of \$7,520,659 combined with \$22,561,219 in utilized Safe Restart funding for a total overall surplus of \$30,081,878.08 be contributed as per the following:
 - I. \$25,028,515.00 to the General Rate Stabilization Reserve;
 - II. \$1,263,340.77 to the Energy Efficiency Reserve in 2023 which represents 25% of the excess surplus beyond the GRS target balance, as per Council Resolution BC018-2020;
 - III. \$3,790,022.31 to the Asset Repair and Replacement Reserve which represents 75% excess surplus beyond the GRS target balance, as per Council's approved Budget Policy, FIN-120.
3. That the existing Budget Policy FIN-140 be replaced with the revised Budget Policy as provided in Attachment 2.

OVERVIEW:

- **The 2023 Operating Budget resulted in a net operating surplus of \$7.5 million (0.9%), which combined with the utilization of the final remaining Safe Restart funding of \$22.6 million (2.7%), resulted in a total overall surplus of \$30.1 million representing 3.6% of the total budgeted operating expenditures of \$845.0 million.**
- **The \$30.1 million surplus is primarily attributed to \$32.6 million in additional revenue that includes the Safe Restart funding utilization, combined with \$16.3 million of labor savings, and \$18.8 million of other expenditure deficits.**

- Of the \$22.6 million Safe Restart funding utilized in 2023, \$9.5 million were utilized under the Ministry of Municipal Housing (MMAH) ‘municipal operating stream’ to offset Non-Transit municipal operational impacts during the pandemic period with the remaining \$13.1 million utilized under the Ministry of Transportation (MTO) ‘transit stream’ for Transit specific operating impacts which fully exhausts all remaining Safe Restart funding balances for both streams.
- The City’s current Budget Policy (Fin-140) was last revised and approved by Council on June 27, 2018. As per section 8.1 of the Governing Policy for Corporate Policy Program, the Budget Policy is due for review and update.
- Staff have reviewed the Budget Policy and related provincial legislation. Revisions have been made to reflect the *Strong Mayors, Building Homes Act, 2022*, its related Regulations, and updates to the *Municipal Act, 2001*. Specifically, the role of the head of council to propose budgets has been incorporated.
- Further Budget Policy changes reflect direction from Council regarding capital project budgeting and annual operating surpluses. Specifically, annual operating surpluses in excess of the GRS target balance are to be distributed between the Energy Efficiency Reserve (25%) and the Asset Repair and Replacement Reserve (75%). Capital projects or activities open for 3 years or longer with no commitments will be presented to Council and recommended for closure, and annual recurring capital programs with unspent balances greater than the 5-year average spend can only request new funding by reducing an equivalent amount of existing endorsed funding.

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 year-end operating budget.

CURRENT SITUATION:

2023 Operating Budget

The 2023 Operating Budget resulted in a total surplus of \$30.1 million which includes \$7.5 million (0.9%) in net operating surplus as well as the utilization of the final remaining Safe Restart funding of \$22.6 million (2.7%). The \$30.1 million represents 3.6% of the total budgeted expenditures of \$845.0 million.

The \$30.1 million surplus is attributed to \$32.6 million in additional revenue which includes the final Safe Restart funding utilization of \$22.6 million, \$16.3 million in labour savings, offset by \$18.8 million of other expenditure deficits.

CORPORATE-WIDE VARIANCE	2023 Q4 YE FORECAST
Revenue Surplus*	32,614
Labour Savings	16,302
Other Expenditures Deficit	(18,834)
ACTUAL YEAR-END SURPLUS	30,082

**Includes final Safe Restart utilization of \$22.6M*

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

TABLE 1: 2023 DEPARTMENTAL VARIANCE SUMMARY

DEPARTMENTAL VARIANCE	Annual Net Budget	Q4 YE Actuals	Favourable / (Unfavourable) Variance	
Departments	(\$000s)			%
Brampton Public Library	20,575	20,575	-	0%
Community Services	84,659	82,197	2,461	3%
Corporate Support Services	68,029	71,908	(3,879)	-6%
Fire & Emergency Services	90,126	86,093	4,033	4%
Legislative Services	11,711	12,993	(1,282)	-11%
Mayor & Members Of Council	5,545	5,042	503	9%
Office of the CAO	17,116	13,018	4,098	24%
Planning, Building & Growth Management	1,851	797	1,054	57%
Public Works & Engineering	85,908	87,413	(1,505)	-2%
Transit	91,657	70,751	20,906	23%
Gapping	(18,640)	-	(18,640)	100%
Safe Restart	-	(22,561)	22,561	
DEPARTMENTAL VARIANCE :			30,312	
GENERAL GOVERNMENT VARIANCE:			(230)	
ACTUAL YEAR-END SURPLUS			30,082	

TABLE 2: DEPARTMENT HIGHLIGHTS

This section provides further breakdown of the year-end actuals by account category.

Departments	Labour Expenditures	Other Expenditures	Revenues	Favourable / (Unfavourable) Variance
Brampton Public Library		0	0	0
Community Services	3,892	(1,054)	(377)	2,461
Corporate Support Services	2,276	(7,164)	1,009	(3,879)
Fire & Emergency Services	4,380	292	(638)	4,033
Legislative Services	1,531	(1,160)	(1,653)	(1,282)
Mayor & Members Of Council	(108)	605	7	503
Office of the CAO	1,299	1,164	1,635	4,098
Planning, Building & Growth Management	5,641	631	(5,218)	1,054
Public Works & Engineering	1,890	(2,225)	(1,170)	(1,505)
Transit	13,800	(6,251)	13,357	20,906
General Government	341	(3,671)	3,100	(230)
Gapping	(18,640)	0	0	(18,640)
SUBTOTAL	16,302	(18,834)	10,052	7,521
Safe Restart			22,561	22,561
ACTUAL YEAR-END (DEFICIT)/SURPLUS	16,302	(18,834)	32,614	30,082

Community Services

Overall, Community Services experienced a favourable variance of \$2.5 million, which is in line with its Q3 forecast and primarily due to Parks Maintenance & Forestry and Recreation.

Parks Maintenance & Forestry division's overall surplus of \$1.4 million is due to labour savings. This division experienced significant challenges in its ability to hire seasonal staff throughout the year and attempted to mitigate its shortfall through student hires, where possible.

The Recreation division's surplus of \$1.0 million is due to \$2.6 million in labour savings offset by \$1.3 million deficit in other expenditures due to rising costs in heating, water/sewer, and maintenance. Recreation revenues increased compared to what was forecasted due to increased registration in the fall programs. The revenue growth experienced last quarter is directly correlated with the increased part-time staffing costs.

Corporate Support Services

Corporate Support Services experienced \$0.6M in net departmental operating savings which were offset by \$4.5M of WSIB overbudget costs resulting in an overall deficit of \$3.9M. The \$4.5M WSIB overage is a result of a substantial increase in WSIB costs across the Corporation, mainly concentrated in Transit and Fire.

The net operating savings of \$0.6M are driven mainly by \$2.3M in labour savings primarily due to vacancies. Labour savings are offset by \$0.8M net higher costs of running Special Events and Sport Tourism as well as Council approved Marquee Events and Hockey Canada grants. Other offsets include \$0.25M in higher IT contract renewals and \$0.6M in external HR services costs due to increased support requirements across the Corporation.

Fire & Emergency Services

Fire & Emergency Services' overall surplus of \$4.0 million is mainly due to savings in labour, which is partially offset by revenue shortfall.

Legislative Services

Legislative Services has experienced an unfavourable variance of \$1.3 million, primarily due to the Court Administration division.

The Court Administration division's overall deficit of \$3.2 million has been due to a \$4.5 million shortfall in parking violations revenue, partially offset by non-parking AMP revenues. The decrease in the parking violations is caused by people not paying parking tickets, and the removal of sticker renewals delays the payment collections at Service Ontario.

The Court Administration's deficit is offset by labour savings in Legal Services \$846K, Enforcement and By-Law Services \$683K, and Court Administration \$534K, as well as a revenue surplus of \$1.2 million in the City Clerk division, which is driven by higher licence revenues and Committee of Adjustment & land development revenue.

Office of the CAO

The Office of the CAO's overall surplus of \$4.1 million is primarily due to savings in labour and other expenditures across most divisions. In addition, the City received \$1.4 million revenue in Economic Development due to unanticipated external government funding, which was offset by labour and other expenditures.

Planning, Building & Growth Management

Planning, Building & Growth Management has an overall surplus of \$1.1 million, due to \$5.6 million of labour savings, partially offset by lower Building revenue.

The Building division has experienced a \$5.1 million revenue shortfall due to lower than anticipated permit and zoning revenues offset by labour savings in the amount of \$3.6 million and other expenditures in the amount of \$0.4 million, leading to an overall deficit of \$1.0 million.

Public Works & Engineering

Public Works & Engineering experienced an unfavourable overall variance of \$1.5 million due to overages in other expenditures of \$2.2 million, including outside service maintenance, demand maintenance, postage, vehicle repair & maintenance and underground locates. In addition, revenue was \$1.2 million less than budgeted, primarily due to loss of rental revenue.

However, the revenue shortfall and expenditure increase are offset by savings of \$1.9 million in labour expenditures due to staff vacancies.

Transit

The Transit department has a net surplus of \$20.9 million driven by \$13.4 million in additional revenues and \$13.8 million in labour savings, partially offset by \$6.3 million in other expenditure pressures. The Transit revenue surplus is based on overall 2023 ridership increase of 15%, which is approximately 30% higher compared to pre-pandemic levels. Labour savings are largely due to reduced resource availability.

General Government

WSIB costs for the Corporation have significantly increased and resulted in the WSIB reserve declining to a negative position as of year-end 2022. To eliminate the negative balance in the WSIB reserve, there was a year-end transfer of \$3.0 million to this reserve.

Investment income transferred to the operating budget is an unfavourable variance of \$1.7 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.

The interest earned on outstanding taxes has a favourable variance of \$2.6 million due to substantial increase in the year-end taxes receivable.

Gapping

Gapping is a corporate provision in General Government to offset the impact of vacancies savings throughout the Corporation, thereby aligning property tax collections with business requirements. The overall budgeted gapping provision for 2023 is \$18.6 million, which is offset by a favorable variance in labour expenditures of \$34.9 million, resulting in \$16.3 million in labour savings.

Safe Restart

Safe Restart funding was distributed to the City in two streams, through the Ministry of Transportation (MTO) and the Ministry of Municipal Affairs and Housing (MMAH). The oversight of these funds differed between the two ministries, as the MTO employed a claim-based system, which required periodic submission of financial information and supporting documentation, whereas MMAH did not require additional information beyond what municipalities provide through the annual Provincial Financial Information Return (FIR).

Ministry of Transportation

As of December 31, 2023, the city maintained \$15.5 million in reserves related to safe restart funding from the Ministry of Transportation. The Ministry of Transportation provided the final reconciliation of the safe restart funds in Q1 of 2024 and confirmed that the city was able to claim \$13.1 million of the amount remaining, which required a refund to be issued in the amount of \$2.4 million. The refund was issued to MTO in Q1 2024.

Ministry of Municipal Affairs and Housing

As of December 31, 2023, the city maintained \$9.5 million in reserves related to safe restart funding from the Ministry of Municipal Affairs and Housing. Staff conducted a comprehensive review of the MMAH safe restart funding utilization, compared to historical trends to ensure appropriate allocation of this funding. During this review, it was identified that the City historically maintained a 3-year average labour surplus of approximately 2% prior to the pandemic (2017-2019) and is now experiencing approximately 4% post-pandemic (2022-2023).

However, during the COVID-19 pandemic, there was uncertainty about the duration of the pandemic and/or whether other levels of government would continue to provide additional funding, should municipal losses continue into the future. Hence, the city took a conservative approach to the allocation of Safe Restart and only applied the minimum required to balance the City's operating budget on an annual basis. This resulted in the City's typical labour savings not being recognized as taxpayer funding surplus, but rather decreased the amount of Safe Restart funding allocated during the pandemic.

In short, the review and supporting analysis of the MMAH funding allocation, confirmed that sufficient taxpayer funded labour surpluses realized by the City for the period 2020-2022 exceeded the \$9.5 million remaining in City reserves. In addition, this analysis and methodology was scrutinized by third-party auditors, through the City's external audit with no finding.

Safe Restart Funding – Financial Closure

Staff have finalized the allocation of safe restart funding and are recommending through this report that the remaining \$22.6 million in funding from the Ministry of Transportation and the Ministry of Municipal Affairs and Housing, be appropriately identified as taxpayer surplus for 2023.

Budget Policy

The City's current Budget Policy (Fin-140) was last revised and approved by Council on June 27, 2018. As per section 8.1 of the Governing Policy for Corporate Policy Program, the Budget Policy is due for review and update.

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CORPORATE IMPLICATIONS:

N/A

STRATEGIC FOCUS AREA:

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

CONCLUSION:

The 2023 Operating Budget resulted in a net operating surplus of \$7.5 million (0.9%), which combined with the utilization of the final remaining Safe Restart funding of \$22.6 million (2.7%), resulted in a total overall surplus of \$30.1 million representing 3.6% of the total budgeted operating expenditures of \$845.0 million.

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Attachments:

- Attachment 1 – Departmental Year-End Variances
- Attachment 2 – Budget Policy