



Report
Staff Report
Committee of Council
The Corporation of the City of Brampton
2022-06-08

Date: 2022-05-17

Subject: 2022 First Quarter Operating Budget and Reserve Report

Contact: Nash Damer, Treasurer
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Report Number: Corporate Support Services-2022-179

Recommendations:

1. That the report titled “**2022 First Quarter Operating Budget and Reserve Report**” to Committee of Council of June 8, 2022 be received;

Overview:

Operating Budget

As at March 31, 2022;

- Finance has conducted a high-level assessment and historic trend analysis to determine if there are any known material variances for Council’s consideration.
- Expenditures of \$139.5 million, or 17.8%, of the \$785.0 million expenditure budget have been incurred.
- Revenues of \$370.7 million, or 47.2%, of the \$785.0 million revenue budget have been recognized.
- The City has remaining \$30.2 million of the Safe Restart Agreement funding (\$17.6 million Transit Stream and \$12.6 million Municipal Operating Stream) as at March 31st, 2022 to offset operational pressures and losses between April 1st, 2022 and December 31st, 2022.
- In terms of projections for the 2022 operating budget, early indications suggest that the 2022 total expenditures and revenues are trending similar to prior first quarter results from 2021 and 2020. Staff continue to

monitor the implications of the pandemic on the 2022 budget and will be conducting more detailed analysis and projections for the Second and Third Quarter Forecast reports, as a clearer picture of the annual variances become available.

- **Considering the \$30.2 million in remaining relief funding, the City is well situated to offset 2022 Operational losses as a result of the pandemic through the Safe Restart Agreement / COVID-19 Recovery Funds. Staff will continue to monitor the financial status, advocate for funding as required, and will advise Council should there be a funding gap.**

Reserves / Reserve Funds

- **An update on the status of the City's primary Reserves and Reserve Funds, including rate stabilization reserves and development charge reserve funds, is also presented.**

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 2022 first quarter operating budget and reserve balances.

At this point in the fiscal cycle, it is premature to project trends or forecast year-end results, given the limited amount of actual financial transaction activity. Therefore, Finance has conducted a high-level assessment in comparison to historic trends to determine if there are any large anomalies or areas of concern for Council to consider.

This report also provides an update on the status of Reserves and Reserve Funds.

Current Situation:

As at March 31, 2022, the City has incurred expenditures of \$139.5 million, or 17.8%, of the \$785.0 million total expenditure budget. This is below prior year's First Quarter results primarily due to a delay in booking contribution to reserves. Historically, contributions to reserves are processed in the first quarter. However, in 2022 the contributions to reserves were processed in April to reflect the final budget as updated on April 06, 2022. Table 2 is a scenario that normalizes the grand total as if the contributions to reserves have been processed in the first quarter.

Revenues of \$370.7 million have been recognized of the \$785.0 million revenue budget and account for 47.2% of the total revenue budget. This is mainly driven by the receipt of the City's interim property taxes which are sent out in the First Quarter and account for almost half of the total tax bill.

The following table compares the 2022 Current Budget with First Quarter 2022 actuals by Department:

Table 1: 2022 OPERATING BUDGET FINANCIAL SUMMARY

DEPARTMENT	TOTAL EXPENDITURES			TOTAL REVENUES		
	2022 Annual Budget	Q1 YTD Actuals	Actual % of Annual Budget	2022 Annual Budget	Q1 YTD Actuals	Actual % of Annual Budget
Brampton Public Library	19,610	4,890	24.9%	(50)	(50)	100.0%
Community Services	111,935	15,164	13.5%	(37,514)	(3,437)	9.2%
Corporate Support Services	72,676	19,033	26.2%	(5,954)	(1,329)	22.3%
Fire & Emergency Services	86,533	19,605	22.7%	(1,531)	(93)	6.1%
General Government	124,707	7,647	6.1%	(567,832)	(334,087)	58.8%
Legislative Services	37,527	6,514	17.4%	(26,051)	(5,245)	20.1%
Mayor & Members Of Council	4,731	987	20.9%	0	0	0.0%
Office of the CAO	9,405	1,402	14.9%	(153)	-	0.0%
Planning, Building & Economic Development	33,546	7,248	21.6%	(31,026)	(9,176)	29.6%
Public Works & Engineering	100,709	24,715	24.5%	(14,676)	(931)	6.3%
Transit	183,604	32,281	17.6%	(100,196)	(16,366)	16.3%
Grand Total	784,983	139,487	17.8%	(784,983)	(370,716)	47.2%

Table 2: Q1 RESULTS NORMALIZED FOR CONTRIBUTION TO RESERVES

	TOTAL EXPENDITURES			TOTAL REVENUES		
	2022 Annual Budget	Q1 YTD Actuals	Actual % of Annual Budget	2022 Annual Budget	Q1 YTD Actuals	Actual % of Annual Budget
Grand Total (Table 1)	784,983	139,487	17.8%	(784,983)	(370,716)	47.2%
Contribution to Reserve 4		76,005				
Contribution to Reserve 119		11,216				
Q1 2022 Grand Total - Adjusted	784,983	226,708	28.9%	(784,983)	(370,716)	47.2%

Once the contribution to reserve adjustments have been processed, the 2022 Q1 total expenditures result in 28.9%, which is similar to the Q1 results in 2021 and 2020. The 2022 Q1 revenues of 47.2% of annual revenue budget is also trending similar to 2021 and 2020 Q1 results.

TABLE 3: 2022 OPERATING COMPARATIVE FIRST QUARTER TRENDS

	% OF ANNUAL BUDGET				
	2022 Q1 Results	2022 Q1 Results (Adjusted for Contribution to Reserves)	2021 Q1 Results	2021 Q1 (excluding SRA Funding)	2020 Q1 Results (pre-pandemic)
Labour Expenditures	20.3%	20.3%	19.5%	19.5%	23.4%
Other Expenditures	14.1%	41.2%	47.5%	40.2%	37.5%
Total Expenditures	17.8%	28.9%	31.3%	28.2%	29.4%
Revenues	47.2%	47.2%	48.9%	45.8%	48.0%

In terms of projections for the 2022 operating budget, early indications suggest that the 2022 operating results are in-line with historical trends as illustrated in the table above.

Staff continue to monitor the implications of the pandemic on the 2022 budget and will be conducting more detailed analysis and projections for the Second and Third Quarter Forecast reports, as a clearer picture of the annual variances become available.

The City has remaining \$30.2 million of the Safe Restart funding (\$17.6 million Transit Stream and \$12.6 million Municipal Operating Stream) as at March 31st, 2022 to offset operational pressures and losses between April 1st, 2022 and December 31st, 2022. As such, the City is well situated to offset 2022 Operational losses as a result of the pandemic through the Safe Restart Agreement / COVID-19 Recovery Funding. Staff will continue to monitor the financial status, advocate for funding as required and will advise Council should there be a funding gap.

RESERVES AND RESERVE FUNDS (Schedule A)

Stormwater Reserve Fund

In the 2020 Operating Budget, the Stormwater Fund was established to manage the recently approved stormwater charge. The charge became effective on June 1, 2020 and is collected through the Region of Peel water/wastewater bill in response to the City's maintenance, renewal, replacement and Asset Management Plan for the City's \$1.2 billion of stormwater infrastructure.

The Stormwater Fund is projected to receive approximately \$22 million per year from the Stormwater Charge, growing at the rate of inflation. The balance as at March 31, 2022 is currently at a deficit of negative \$0.4 million, net of commitments, including the recently approved 2022 capital budget.

Debt Repayment Reserve

The Debt Repayment Reserve established in 2018, has a balance of \$12.3 million, as at March 31, 2022.

The 2022 Operating Budget included approval of \$2.8 million in annual debt repayments;

- \$1.8 million related to a 25-year debenture of \$26 million, for the Fire and Emergency Services Campus
- \$1.1 million as part of a phased in approach to align tax supported debt repayments with the expected project delivery of the Transit Maintenance and Storage Facility. This is based on a 30-year debenture of \$60.1 million

To date, the Region of Peel has issued debentures on the City's behalf in the amount of \$46 million to meet cash flow requirements for the construction of the Fire and Emergency Services Campus and Transit Maintenance & Storage Facility.

Development Charge Reserve Funds

Development charges (DCs) are one-time fees levied on new growth to pay for growth-related City infrastructure. The current DC By-laws were approved by Council in 2019, and inputs into the DC Study were based on various master servicing plans and departmental input into how they would meet the needs of servicing new growth.

The use of development charges to fund growth-related capital projects is legislated by the *Development Charges Act, 1997*. DC funding of capital projects is evaluated on an annual basis through the City's Budget process, to ensure that the funds are utilized for the purposes for which they were collected. DC reserve funds are currently in a surplus position of \$13.5 million, net of commitments, as at March 31, 2022.

Building Rate Stabilization Reserve Fund

As at March 31, 2022, the balance in the Building Rate Stabilization Reserve Fund was \$42.8 million, which provides assurance against a future short-term downturn in building activity. The City is obligated to transfer any surplus resulting from building related operations to this reserve fund in accordance with the requirements of Bill 124 (*Building Code Statute Law Amendment Act, 2002*).

Cash In Lieu of Parkland

As at March 31, 2022, there was a balance in the Cash in Lieu of Parkland of \$108.0 million. Staff continues to work on strategies to secure and expedite the acquisition of strategic parkland to meet the future needs of residents.

Land Proceeds Reserve

As at March 31, 2022, there was a negative balance in the Land Proceeds Reserve of \$30.3 million. This reserve serves as a cash flow-through fund to support strategic opportunities under the Real Estate Modernization Strategy. As projects are developed to utilize the properties purchased through this strategy, permanent funding sources will be recommended to Council to replenish the Land Proceeds Reserve.

General Rate Stabilization Reserve (GRS)

Council has established a GRS reserve balance target at 10% of the annual approved operating budget. The 2022 Operating Budget has been approved at \$785.0 million, resulting in a Council approved GRS reserve target of \$78.5 million.

As per the 2021 year-end report, \$3.0 million representing 25% of the 2021 year-end surplus will be transferred from the GRS to the Energy Efficiency Reserve in Q2 2022 and \$4.6 million will be transferred from the GRS Reserve to Reserve 4 Asset Repair and Replacement in Q2 2022.

The General Rate Stabilization reserve (GRS) balance as at March 31, 2022, after excluding Safe Restart Funding, the above pending transfers to the Energy Efficiency Reserve and Reserve 4 Asset Repair and Replacement and 2022 budget draws is \$78.0 million. This is \$0.5 million less than the Council approved target of \$78.5 million.

Interest Rate Stabilization Reserve Fund

As at March 31, 2022, the Interest Rate Stabilization Reserve Fund (IRS) has a \$0 balance.

At the December 8th, 2021 Special Council meeting, Council approved the report "Interest Rate Stabilization Reserve Status Update", which recommended \$13.3 million be transferred to the Interest Rate Stabilization Reserve, as part of the 2022 Budget and that annual budget adjustments are made over an 8-year period to permanently eliminate this deficit.

The \$13.3 million in funding is pending transfer and will be reflected in the 2022 Q2 Operating Budget and Reserve Status Report and will serve to support the investment income deficit, until it is eliminated.

Staff will continue to closely monitor the interest rate stabilization reserve each quarter and ensure that the 8-year plan approved by Council achieves the intended goal.

Strategic Reserves

The City's strategic reserves are comprised of Reserve #100 – Legacy Fund and Reserve #110- Community Investment Fund.

As at March 31st, 2022, the combined uncommitted balance available in the strategic reserves is \$131.1 million. After accounting for future commitments that have been endorsed by Council, the amount available in strategic reserves is \$84.4 million.

Schedule B: Status of Strategic Reserves provides a detailed continuity schedule of the strategic reserves, including the original beginning balance, amounts and initiatives that have utilized these reserves to date and any known future commitments.

To date, the strategic reserves have generated \$218.5 million in external and internal interest revenue since the inception of the fund. Of this, \$183.6 million has been transferred to the operating fund to offset tax levy requirements and the balance was transferred to the Interest Rate Stabilization Reserve Fund.

Corporate Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial operations.

Conclusion:

As at March 31, 2022, the City has incurred expenditures of \$139.5 million, or 17.8%, of the \$785.0 million expenditure budget. Revenues of \$370.7 million have been recognized of the \$785.0 million revenue budget.

Staff continue to monitor the implications of the pandemic on the 2022 budget and will be conducting more detailed analysis and projections for the Second and Third Quarter Forecast reports, as a clearer picture of the annual variances become available.

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Attachments:

Schedule A: Reserve and Reserve Fund Balances

Schedule B: Status of Strategic Reserves