



**Report**  
**Staff Report**  
**Committee of Council**  
**The Corporation of the City of Brampton**  
**2023-02-01**

**Date:** 2023-01-12

**Subject:** 2022 Third Quarter Operating Budget Report

**Contact:** Nash Damer, Treasurer  
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**Report Number:** Corporate Support Services-2023-052

**Recommendations:**

1. That the report titled “**2022 Third Quarter Operating Budget Report**” to the Committee of Council Meeting of February 1<sup>st</sup> be received;

**Overview:**

**2022 Operating Budget**

- Based on operating results as at September 30, the Corporation is forecasting a year-end operating deficit of \$5.7 million, after accounting for Safe Restart funding of \$4.6 million to offset net COVID-19 impacts. This variance represents 0.7% of total budgeted expenditures of \$785.0 million.
- The \$5.7 million deficit is primarily attributed to Transit Fuel pressures, offset by revenue surpluses in Development Services, Taxes, Penalties and Interest and Economic Development.
- The \$4.6 million of COVID-19 related impacts are driven by reduced revenues in Recreation, Transit, Supplemental Taxes and POA, in addition to COVID-19 Emergency Measures costs. These pressures are partially offset by savings in Labour and other Operational Savings.
- In the prior year, the pandemic impacted the City’s finances for 12 months, leading to 2021’s net COVID-19 impacts of \$31.7 million, translating to a monthly operating loss of \$2.6 million. The 2022

**projected net COVID-19 impacts of \$4.6 million translate to a monthly operating loss of \$0.4 million which is an improvement of 85% or \$2.3 million per month over the prior year.**

- Since the start of the pandemic, the City has received a total of \$114.2 million from Federal-Provincial relief funding; \$62.4 million was received in 2020 under Phase 1 and Phase 2 of the Safe Restart Agreement; \$36.5 million received in 2021 under Phase 2 and Phase 3 of the Safe Restart Agreement, \$14.7 million under 2021 COVID-19 Recovery Funding for Municipalities (CRFM), and \$602,038 under Municipal Transit Enhanced Cleaning Fund.**
- Of the total \$114.2 million Safe Restart funding received, there is a balance of \$30.2 million. \$4.6 million is projected to be utilized in 2022 for pandemic-related losses, leaving a balance of \$26.5 million as illustrated in Table 5. The remaining funding of \$26.5 million will be maintained in City reserves to offset future pandemic-related losses and recovery efforts.**
- Should the projected year-end operating deficit of \$5.7 million related to non-covid impacts materialize, the General Rate Stabilization Reserve (GRS) would be recommended to balance the operating budget, as per Budget Policy FIN-140.**
- The General Rate Stabilization reserve (GRS) balance as at September 30, 2022 was \$107.1 million net of commitments. Within this balance is \$30.2 million of relief funding; \$12.6 million for Municipal Stream and \$17.6 million for Transit stream. Once this amount is excluded the GRS balance sits at \$76.9 million which is \$1.6 million less than the Council approved target of \$78.5 million.**
- Staff continue to monitor the 2022 operating budget and will report to Council for the Year-end Forecast, as a clearer picture of the annual variances become available.**
- Staff will continue to advocate for additional funding to address the ongoing and emerging economic pressures related to COVID-19, geopolitics, inflation, war, etc.**

## 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 operating budget.

## Current Situation:

### 2022 OPERATING BUDGET

Based on operating results as at September 30, 2022 the Corporation is forecasting a year-end operating deficit of \$5.7 million, after accounting for Safe Restart funding of \$4.6 million utilized to offset net COVID-19 impacts. This variance represents 0.7% of total budgeted expenditures of \$785.0 million.

The following tables summarize the 2022 Operating Budget forecasted year-end results, which include a departmental breakdown of the deficit, along with highlighting specific variances that are deemed materially significant to the Corporation.

TABLE 1: 2022 OPERATING BUDGET VARIANCE SUMMARY

OPERATING VARIANCE:	2022 Q3 YE FORECAST
Revenue Loss	8,188
Emergency Measures Costs	4,895
Operational Deficit/(Savings)	(8,460)
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>4,623</b>
Non-Covid Related Impacts	5,693
<b>Gross Year-end Deficit (Prior to Reserve Contributions)</b>	<b>10,316</b>
Federal-Provincial Safe Restart - Reserve Contributions*	(4,623)
<b>FORECASTED YEAR-END DEFICIT</b>	<b>5,693</b>

\* \$2.1 million MMAH, \$2.5 million MTO

TABLE 2: 2022 OPERATING BUDGET DEPARTMENTAL SUMMARY

OPERATING VARIANCE:	Annual Net Budget	Q3 YE Projection	(Favourable) / Unfavourable Variance	
Departments	(\$000s)			%
Brampton Public Library	19,560	19,560	-	0%
Community Services	74,845	73,620	(1,225)	-2%
Corporate Support Services	66,940	62,474	(4,467)	-7%
Fire & Emergency Services	85,217	84,347	(870)	-1%
Legislative Services	11,603	9,154	(2,450)	-21%
Mayor & Members Of Council	4,731	4,276	(456)	-10%
Office of the CAO	13,398	11,191	(2,207)	-16%
Planning, Building and Growth Management	- 1,399	- 4,018	(2,619)	187%
Public Works & Engineering	86,312	85,161	(1,151)	-1%
Transit	84,236	88,800	4,564	5%
Gapping	- 13,800	-	13,800	-100%
<b>DEPARTMENTAL VARIANCE : DEFICIT</b>			<b>2,920</b>	
<b>GENERAL GOVERNMENT VARIANCE: DEFICIT<sup>1</sup></b>			<b>7,396</b>	
<b>GROSS YEAR-END DEFICIT (PRIOR TO RESERVE CONTRIBUTIONS)</b>			<b>10,316</b>	
<b>FEDERAL-PROVINCIAL SAFE RESTART - RESERVE CONTRIBUTIONS <sup>2</sup></b>			<b>(4,623)</b>	
<b>FORECASTED YEAR-END DEFICIT</b>			<b>5,693</b>	

Note 1: COVID-19 additional emergency measure costs are tracked in General Government; of the \$7.4 million deficit, \$4.9 million is as a result of these additional expenditures.

Note 2: \$2.1 million MMAH , \$2.5 million MTO

TABLE 3: 2022 OPERATING BUDGET – DETAILED SUMMARY

MAJOR COVID-19 RELATED IMPACTS	2021 YE ACTUAL VARIANCE	Q3 2022 YEAR-END FORECAST
Recreation Reduced Revenue	26,758	14,311
COVID-19 Emergency Measures Costs	10,306	4,895
Supplemental Taxes	4,986	3,500
Transit Reduced Revenue	32,586	3,196
POA Reduced Revenue	2,630	2,087
Environment & Development Engineering Reduced Revenue	2,059	759
Performing Arts Reduced Revenue	2,566	568
Building Overall Variance	262	310
Facilities Operations & Maintenance Non-Labour Expenditures Overbudget	1,484	236
Road Maintenance, Operations & Fleet Reduced Revenue	2,024	110
Insurance & Risk Management	(40)	(440)
Investment income	1,437	(658)
Digital Innovation & IT	(2,086)	(695)
Parks Maintenance & Forestry	(1,303)	(758)
Strategic Communications, Culture & Events	(499)	(1,555)
Recreation Non-Labour Expenditures Savings	(5,569)	(2,293)
Labour Surplus	(36,396)	(18,548)
Other	(9,457)	(402)
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>\$ 31,748</b>	<b>\$ 4,623</b>
<b>NON-COVID RELATED IMPACTS:</b>		
Development Services Surplus Revenue	(7,425)	(1,816)
Tax Penalties & Interest Revenue	(4,621)	(2,578)
Economic Development Surplus Revenue	-	(1,071)
Other Grants - TMU Medical School	-	1,000
Transit Fuel	-	10,157
<b>TOTAL NON-COVID RELATED IMPACTS</b>	<b>\$ (12,046)</b>	<b>\$ 5,693</b>
<b>FEDERAL-PROVINCIAL SAFE RESTART - RESERVE CONTRIBUTIONS:</b>		
Transit	(20,958)	(2,500)
Other Municipal	(10,790)	(2,123)
<b>TOTAL FEDERAL-PROVINCIAL SAFE RESTART RESERVE CONTRIBUTIONS</b>	<b>\$ (31,748)</b>	<b>\$ (4,623)</b>
<b>FORECASTED YEAR-END (SURPLUS)/DEFICIT</b>	<b>\$ (12,047)</b>	<b>\$ 5,693</b>

### COVID-19 Related Impacts Summary

The \$4.6 million of COVID-19 related impacts are driven by \$8.2 million revenue loss, \$4.9 million in COVID-19 emergency measure costs, offset by \$8.5 million in operational savings. A total of \$4.6 million of relief funding will be used to offset the gross year-end deficit of \$10.3 million, which will result in \$5.7 million in net deficit.

In order to compare and evaluate the degree of financial severity this pandemic has had over time; staff has compared the monthly loss figures for both the 2021 and 2022 fiscal periods. For 2022, the 3<sup>rd</sup> Quarter forecast translates to an anticipated loss of \$0.4 million per month vs. \$2.6 million in 2021, which is an improvement of \$2.3 million or 85% year over year. Table 3 provides additional details regarding this comparison.

Table 4: 2022 Projected Deficit vs. 2021 Year-End Actuals Deficit

OPERATING VARIANCE:	2021 YE ACTUAL VARIANCE	2022 Q3 YE FORECAST	2022 YE Vs 2021 YE
Revenue Loss	74,691	8,188	(66,503)
Emergency Measures Costs	10,306	4,895	(5,411)
Operational Deficit/(Savings)	(53,250)	(8,460)	44,790
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>31,748</b>	<b>4,623</b>	<b>(27,125)</b>
Non-Covid Related Impacts	(12,046)	5,693	17,739
<b>Gross Year-end Deficit (Prior to Reserve Contributions)</b>	<b>19,701</b>	<b>10,316</b>	<b>(9,385)</b>
Federal-Provincial Safe Restart - Reserve Contributions*	(31,748)	(4,623)	27,124
<b>FORECASTED YEAR-END DEFICIT</b>	<b>(12,046)</b>	<b>5,693</b>	<b>17,739</b>

\*\$2.5 million MTO, \$2.1 million MMAH

	12 months (Jan - Dec 2021)	12 months (Jan - Dec 2022)	VARIANCE
Average Monthly Impacts <sup>1</sup>	2,646	385	(2,260)

Note 1: Total COVID-19 related impacts divided by the number of months impacted by the pandemic

### Managing COVID-19 Impacts

To date, the City has received a total of \$114.2 million from Federal-Provincial relief funding; \$62.4 million was received in 2020 under Phase 1 and Phase 2 of the Safe Restart Agreement; \$36.5 million received in 2021 under Phase 2 and Phase 3 of the Safe Restart Agreement, \$14.7 million under 2021 COVID-19 Recovery Funding for Municipalities (CRFM), and \$602,038 under Municipal Transit Enhanced Cleaning Fund.

Of the total \$114.2 million Safe Restart funding received, \$52.3 million was utilized to meet the 2020 impacts and \$31.7 million was utilized in 2021, leaving a balance of \$30.2 million.

The balance of the \$30.2 million has interest earned to date of \$0.6 million and is forecasted to earn an additional \$0.3 million by year-end. \$4.6 million is projected to be utilized in 2022 for pandemic-related losses for all other City losses, leaving a balance of \$26.5 million as illustrated in Table 5. The remaining funding of \$26.5 million will be maintained in City reserves to offset future pandemic-related losses and recovery efforts.

Table 5: 2022 COVID-19 Federal-Provincial Funding Relief

Q3 2022 COVID-19 Funding Management	MUNICIPAL	TRANSIT	TOTAL
2022 Available Relief Funding	12,649	17,561	30,210
Interest Earned on Available Relief Funding	263	384	646
Forecasted Interest Income on Available Relief Funding	111	154	265
Q3 YE COVID-19 Impact Projection*	(2,123)	(2,500)	(4,623)
<b>Remaining Relief Funding (To remain in City Reserves)</b>	<b>10,900</b>	<b>15,599</b>	<b>26,498</b>

\*\$2.5 million MTO, \$2.1 million MMAH

In the event that the final year-end deficit surpasses the eligible availability of relief funding, the General Rate Stabilization Reserve (GRS) will be drawn upon to balance the operating budget. Further details on the balance of the GRS are available in the Q3 Reserve Report.

#### NON-COVID Related Impacts Summary

The primary driver of non-covid related impacts is the estimated increase in Transit fuel cost of \$10.2 million, which is partially offset by revenue growth in economic activity and tax penalties and interest, leading to a net deficit of \$5.7 million.

Staff are closely monitoring fuel costs and will continue to report to Council on future implications through quarterly financial reports and the 2023 budget process.

#### **Corporate Implications:**

##### Financial Implications:

N/A

#### **Term of Council Priorities:**

This report fulfils 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 revenues.

**Conclusion:**

As of September 30, the Corporation is forecasting a year-end operating deficit of \$5.7 million after accounting for the Safe Restart funding of \$4.6 million utilized to offset COVID-19 related impacts. This variance represents 0.7% of total budgeted expenditures of \$785.0 million.

The Federal-Provincial Safe Restart funding was to support municipalities through the pandemic, and staff anticipates that relief funding received to date and the interest earned on those funds will be sufficient to offset \$4.6 million of the projected 2022 COVID-19 related impacts.

Staff continue to monitor the implications of the pandemic on the 2022 budget and will report to Council on the final year-end position through the 2022 Year End Operating Budget report.

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**Attachments:**

Schedule A: Departmental Year-End Forecast Variances