

**Date:** 2023-04-27

**Subject:** **2022 Year-End Operating Budget Report**

**Contact:** Nash Damer, Treasurer  
nash.damer@brampton.ca 905-874-2257

**Report Number:** Corporate Support Services-2023-393

**Recommendations:**

1. That the report titled “**2022 Year-End Operating Budget Report**” to the Committee of Council Meeting of May 24, 2023 be received;
2. That a draw from the General Rate Stabilization reserve be approved in the amount of \$5,262,012, in order to fund the 2022 year-end operating budget deficit;
3. That the net COVID-19 year-end impacts of \$7,420,199 be funded from the pandemic funding provided by Federal and Provincial Governments, as follows:
  - a) \$3,391,945 from the Ministry of Transportation (MTO) ‘transit stream’ for Transit specific operating impacts;
  - b) \$4,028,254 from the Ministry of Municipal Housing (MMAH) ‘municipal operating stream’ to offset losses for all other COVID-19 operational variances.

**Overview:**

- **The 2022 Operating Budget resulted in a deficit of \$5.3 million, after accounting for Federal-Provincial funding of \$7.4 million, utilized to offset COVID-19 related impacts. The \$5.3 million represents 0.7% of the total budgeted expenditures of \$785.0 million.**
- **The \$5.3 million deficit at the corporate level can be attributed to the non-COVID Transit Fuel pressures offset in part by City revenue surpluses and other operating savings.**
- **The \$7.4 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.**

- To date, the city has received Federal-Provincial COVID-19 relief funding in the amount of \$114.2 million and utilized \$84.0 million, leaving a balance available for 2022 in the amount of \$30.2 million. After accounting for the \$7.4 million in COVID-19 impacts identified in the 2022 budget, the city will maintain a balance of \$22.8 million, to offset future pandemic-related losses and recovery efforts.**
- The year-end operating deficit of \$5.3 million related to non-covid impacts is funded through a draw from the General Rate Stabilization Reserve (GRS), to balance the operating budget, as per Budget Policy FIN-140.**
- The General Rate Stabilization reserve (GRS) balance as of December 31, 2022 was \$94.5 million net of commitments. Within this balance is \$22.8 million of relief funding; \$8.6 million for Municipal Stream and \$14.2 million for Transit stream. Once this amount is excluded the GRS balance sits at \$71.7 million which is \$6.8 million less than the Council approved target of \$78.5 million.**

### **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:**

The 2022 Operating Budget resulted in a deficit of \$5.3 million net of the Federal-Provincial pandemic funding of \$7.4 million utilized to offset COVID-19 related impacts. The \$5.3 million represents 0.7% of total budgeted expenditures of \$785.0 million.

The following tables summarize the 2022 Operating Budget 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 Q4 YEAR-END ACTUAL
Revenue Loss	7,708
Emergency Measures Costs	4,576
Operational Deficit/(Savings)	(4,865)
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>7,420</b>
Non-Covid Related Impacts	5,262
<b>Gross Year-end Deficit (Prior to Reserve Contributions)</b>	<b>12,682</b>
Federal-Provincial Safe Restart - Reserve Contributions*	(7,420)
<b>FORECASTED YEAR-END DEFICIT</b>	<b>5,262</b>

\* \$4.0 million MMAH, \$3.4 million MTO

TABLE 2: 2022 OPERATING BUDGET DEPARTMENTAL SUMMARY

OPERATING VARIANCE:	Annual Net Budget	Q4 YE Actual	(Favourable) / Unfavourable Variance	
Departments	(\$000s)			%
Brampton Public Library	19,560	19,560	-	0%
Community Services	77,078	76,285	(792)	-1%
Corporate Support Services	64,708	61,431	(3,277)	-5%
Fire & Emergency Services	85,217	83,830	(1,387)	-2%
Legislative Services	11,603	11,023	(580)	-5%
Mayor & Members Of Council	4,731	4,260	(471)	-10%
Office of the CAO	13,398	10,146	(3,252)	-24%
Planning, Building & Growth Management	2,347	1,141	(1,206)	-51%
Public Works & Engineering	82,566	79,955	(2,611)	-3%
Transit	84,236	89,639	5,403	6%
Gapping	(13,800)	-	13,800	-100%
<b>DEPARTMENTAL VARIANCE : DEFICIT</b>			<b>5,626</b>	
<b>GENERAL GOVERNMENT VARIANCE: DEFICIT<sup>1</sup></b>			<b>7,056</b>	
<b>GROSS YEAR-END DEFICIT (PRIOR TO RESERVE CONTRIBUTIONS)</b>			<b>12,682</b>	
<b>FEDERAL-PROVINCIAL SAFE RESTART - RESERVE CONTRIBUTIONS<sup>2</sup></b>			<b>(7,420)</b>	
<b>FORECASTED YEAR-END DEFICIT</b>			<b>5,262</b>	

Note 1: COVID-19 additional emergency measure costs are tracked in General Government; of the \$7.1 million deficit, \$4.6 million is as a result of these additional expenditures.

Note 2: \$4.0 million MMAH, \$3.4 million MTO

TABLE 3: 2022 OPERATING BUDGET – DETAILED SUMMARY

MAJOR COVID-19 RELATED IMPACTS	2021 YE ACTUAL VARIANCE	Q4 2022 YEAR-END ACTUALS
Recreation Reduced Revenue	26,758	11,639
COVID-19 Emergency Measures Costs	10,305	4,576
Supplemental Taxes	4,986	4,039
Transit Reduced Revenue	32,586	2,732
POA Reduced Revenue	2,630	2,535
Environment & Development Engineering Reduced Revenue	2,059	1,066
Cultural Services Reduced Revenue	2,566	930
Insurance & Risk Management	(40)	553
Facilities Operations & Maintenance Non-Labour Expenditures Overbudget	1,484	526
Building Overall Variance	262	456
Parks Maintenance & Forestry	(1,303)	215
Road Maintenance, Operations & Fleet Reduced Revenue	2,024	160
Investment income	1,437	46
Strategic Communications, Tourism & Events	(499)	(604)
Digital Innovation & IT	(2,086)	(888)
Recreation Non-Labour Expenditures Savings	(5,569)	(1,773)
Labour Surplus	(36,396)	(16,707)
Other	(9,456)	(2,079)
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>\$ 31,748</b>	<b>\$ 7,420</b>
<b>NON-COVID RELATED IMPACTS:</b>		
Development Services Surplus Revenue	(7,425)	(1,008)
Tax Penalties & Interest Revenue	(4,621)	(2,768)
Economic Development Surplus Revenue	-	(1,021)
Transit Fuel	-	10,059
<b>TOTAL NON-COVID RELATED IMPACTS</b>	<b>\$ (12,046)</b>	<b>\$ 5,262</b>
<b>FEDERAL-PROVINCIAL SAFE RESTART - RESERVE CONTRIBUTIONS:</b>		
Transit	(20,958)	(3,392)
Other Municipal	(10,790)	(4,028)
<b>TOTAL FEDERAL-PROVINCIAL SAFE RESTART RESERVE CONTRIBUTIONS</b>	<b>\$ (31,748)</b>	<b>(7,420)</b>
<b>FORECASTED YEAR-END (SURPLUS)/DEFICIT</b>	<b>(12,046)</b>	<b>5,262</b>

### COVID-19 Related Impacts Summary

The \$7.4 million of COVID-19 related impacts are driven by revenue losses in the amount of \$7.7 million and \$4.6 million in COVID-19 emergency measure costs, offset by \$4.9 million in labour and other operational savings. A total of \$7.4 million of relief funding will be used to offset the gross year-end deficit of \$12.7 million, which will result in net deficit of \$5.3 million.

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 year-end actuals translate to a loss of \$0.6 million per month vs. \$2.6 million in 2021, which is an improvement of \$2.0 million or 77% year over year. Table 3 provides additional details regarding this comparison.

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

OPERATING VARIANCE:	2021 YE ACTUAL VARIANCE	2022 Q4 YEAR-END ACTUAL	2022 YE Vs 2021 YE
Revenue Loss	74,691	7,708	(66,503)
Emergency Measures Costs	10,306	4,576	(5,411)
Operational Deficit/(Savings)	(53,250)	(4,865)	44,790
<b>TOTAL COVID-19 RELATED IMPACTS</b>	<b>31,748</b>	<b>7,420</b>	<b>(27,125)</b>
Non-Covid Related Impacts	(12,046)	5,262	17,739
<b>Gross Year-end Deficit (Prior to Reserve Contributions)</b>	<b>19,701</b>	<b>12,682</b>	<b>(9,385)</b>
Federal-Provincial Safe Restart - Reserve Contributions*	(31,748)	(7,420)	27,124
<b>FORECASTED YEAR-END DEFICIT</b>	<b>(12,046)</b>	<b>5,262</b>	<b>17,739</b>

\*\$4.0 million MTO, \$3.4 million MMAH

	12 months (Jan - Dec 2021)	12 months (Jan - Dec 2022)	VARIANCE
Average Monthly Impacts <sup>1</sup>	2,646	618	(2,027)

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 and utilized \$84.0 million, leaving a balance of \$30.2 million.

Of the \$30.2 million available relief funding balance, \$4.0 million or 32% of the amount remaining under the MMAH funding will be utilized and \$3.4 million or 19% of the amount remaining under the MTO funding will be utilized for pandemic-related losses in 2022

fiscal year. This will leave a balance of \$22.8 million which will be maintained in City reserves to offset future pandemic-related losses and recovery efforts.

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

Q4 2022 COVID-19 Funding Management	MUNICIPAL	TRANSIT	TOTAL
2022 Available Relief Funding	12,649	17,561	30,210
Q4 YE Actual COVID-19 Impact *	(4,028)	(3,392)	(7,420)
<b>Remaining Relief Funding (To remain in City Reserves)</b>	<b>8,621</b>	<b>14,169</b>	<b>22,790</b>

\*\$3.4 million MTO, \$4.0 million MMAH

### NON-COVID Related Impacts Summary

The driver of non-COVID related impacts for 2022 is the increase in Transit fuel cost of \$10.1 million, which is partially offset by revenue growth in economic activity and tax penalties and interest, leading to a net deficit of \$5.3 million.

Prior to 2020 and the pandemic, fuel prices hovered relatively steadily, which was a factor in determining the baseline reflected in fuel budget in these years. Since then however, prices have shown a steady increase in volatility and a general trend towards increasing. Volatility has been especially unpredictable in 2022 with prices dropping and then almost doubling within the same year in reaction to market conditions.

As a result of volatility in the cost of fuel during the pandemic, in 2022 the City opted to not adjust the budgeted fuel rate. This methodology, as well as the continued volatility and uptrend in rates, resulted in the fuel cost overruns described in this report. For 2023, the City has taken steps to gradually increase its fuel budget, spread over several years, that allows it to reflect cost increases while still managing the impact of market volatility.

### **Corporate Implications:**

N/A

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

This report achieves the Strategic Plan priority of Good Government by practicing proactive effective management of finances, policies and service delivery.

### Living the Mosaic – 2040 Vision

This report has been prepared in full consideration of the overall visions that the people of Brampton will 'Live the Mosaic'.

**Conclusion:**

The 2022 Operating Budget resulted in a deficit of \$5.3 million after accounting for Federal-Provincial funding of \$7.4 million utilized to offset COVID-19 related impacts.

The \$5.3 million represents 0.7% of the total budgeted expenditures of \$785.0 million and will be funded through a draw from the General Rate Stabilization reserve, as per Budget Policy FIN-140.

Authored by:

Reviewed by:

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Mark Medeiros, Sr. Manager,  
Financial Planning

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Nash Damer, Treasurer

Approved by:

Submitted by:

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Rick Conard, Commissioner,  
Corporate Support Services (Interim)

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Marlon Kallideen, Chief Administrative  
Officer

**Attachments:**

Schedule A: Departmental Year-End Variances