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Town of Aurora  
**General Committee**  
No. FIN23-039

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**Subject:** Interim Forecast Update – As of August 31<sup>st</sup>, 2023

**Prepared by:** Tracy Evans, Financial Management Advisor

**Department:** Finance

**Date:** October 17, 2023

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## Recommendation

1. That Report No. FIN23-039 be received for information.

## Executive Summary

This report presents to Council the information to effectively monitor the financial performance of the Town's operating and capital budget as of August 31<sup>st</sup>, 2023.

- An overall tax levy surplus of \$366,800 is anticipated by fiscal year end
- The Town's water, wastewater and stormwater operations is forecasting a surplus of \$428,400 by fiscal year end
- The forecasted capital spend of \$39.2M as of August 31<sup>st</sup>, 2023 is \$1.5M lower than the Town's forecasted capital spend of \$40.7M as of April 30<sup>th</sup>, 2023

These forecasted variances will continue to be subject to change for the remainder of the fiscal year. Future Council decisions may also have an impact. Any operational budget short-falls or surpluses remaining at year end will require an offsetting adjustment from/to the tax rate stabilization reserve as defined in the Town's 2023 surplus / deficit management bylaw which will be presented to Council for its approval later this year.

## Background

To assist Council in fulfilling their role and responsibilities with respect to Town finances and accountability, Finance has worked with all departments to review the

corporation's operations financial performance to date. Each Director has reviewed their department's operating and capital budget versus the results to date and remaining outstanding plans and forecasted an expected year end position. Finance staff have reviewed each submission and performed the necessary consolidation.

## Analysis

### **An overall tax levy surplus of \$366,800 is anticipated by fiscal year end**

The Town's tax levy funded operations are forecasted to finish the year with an anticipated surplus of \$366,800, representing an overall increase of \$14,800 from the surplus forecasted as of the end of April 30<sup>th</sup>, 2023.

The budget includes \$150,000 for salary gapping savings which is distributed across the departments. This recognizes that during the year there will be some staff turnover and periodic vacancies. Also included in the 2023 budget was an additional \$50,000 for the additional salary gapping based on previous years trends. This amount has been budgeted within Corporate Revenue & Expenditures.

A detailed break-down of the Town's current forecasted variance by division can be found in Attachment #1. This report has been simplified to show only the net budget amount, the forecasted ending position for each item, and the variance to budget. Overall, the Town's approved budget for 2023 includes \$79,291,100 in approved expenditures, funded by \$22,333,600 in revenues consisting of user fees, charges and investment income and a total tax levy of \$56,957,500.

Table 1 presents a departmental summary of the forecasted tax levy funded operating budget variances.

**Table 1**  
**2023 Operating Forecast to Year end**

<b>\$000s</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance Surplus/(Deficit)</b>
Council	599.9	590.5	9.4
CAO	1,503.2	1,503.2	-
Corporate Services	6,094.5	6,033.2	61.3
Finance	6,639.5	6,617.6	21.9
Fire	12,722.9	12,722.9	-
Operational Services	11,960.7	12,207.9	(247.2)

\$000s	Budget	Forecast	Variance Surplus/(Deficit)
Community Services	11,775.0	11,365.3	409.7
Planning & Development Services	12.4	(111.5)	123.9
Corporate Revenue & Expenses	5,649.4	5,661.6	(12.2)
Tax Levy	56,957.5	56,957.5	-
<b>Total Operating</b>			<b>366.8</b>

A summary of the Town's key forecasted variances by department follows.

#### CAO and Council

Council and the Office of the CAO are forecasting to conclude the fiscal year with a surplus of \$9,400 on a net operating budget of \$2,103,100. This surplus mostly relates to savings for the Heritage Committee due to Doors Open not taking place in 2023, as well as promotional operating material savings.

#### Corporate Services

Corporate Services is forecasting a surplus of \$61,300 on a total net operating budget of \$6,094,500. This surplus is mostly attributable to savings in salaries due to vacancies, higher than anticipated revenue from legal administrative fees as well as by-law fines and license revenues. These surpluses are partially offset by an anticipated loss in dog and cat tag fees.

#### Finance

Finance is forecasting a surplus of \$21,900 on a net operating budget of \$6,639,500. This surplus mostly results from savings in telephone and zoom/Webex costs and additional revenues.

#### Fire Services

The total approved 2023 operating budget for Central York Fire Services (CYFS) is \$30,888,300. Aurora's share of this total budget is \$12,722,900. As per normal practice, should a CYFS surplus or deficit arise by fiscal year end, it will be offset by an equal contribution to/from the shared CYFS Reserve, thus leaving the Town's forecasted Fire Services requirements as budgeted.

### Operational Services

Operational Services, excluding water, wastewater and storm water services, is forecasting an overall deficit of \$247,200 on a net operating budget of \$11,960,700. Key contributors to this deficit are salary expenses relating to overtime and sick pay as well as higher than budgeted fuel costs. In addition, streetlight repairs due to the May 2022 storm damage are now being recognized as these repairs are completed in 2023. These unfavourable variances are partially offset by higher than anticipated ball diamond/soccer field permit revenues as well as increased waste/recycling grant revenue.

Currently a minor shortfall is forecasted in winter management. As per the Town's winter control reserve policy, if the overall Town operating budget is unable to accommodate the full reported winter management deficit, any required funding shortfall can be drawn from this reserve. As the Town's present overall, forecasted position indicates that it will have sufficient funds available to offset any forecasted winter management shortfall, a draw from the winter control reserve is not necessary at this time. However, should it become necessary the Town will access this reserve as required.

Operational Services' salaries and wages are split between tax levy and rate (water, wastewater and storm water services) funded programs. In any given year, the operational service staff support of tax levy or rate funded programs can vary, as such costs may shift between these programs based on the operational needs.

### Community Services

Community Services is forecasting a \$409,700 surplus on a net operating budget of \$11,775,000. The key contributor to this surplus relates to forecasted program contract savings, postage savings as well as increased revenues in aquatics, fitness, and senior's programs. These surpluses are offset by reduced ice rental and vending machine revenues.

At this time, no Aurora Town Square budget savings are anticipated as any surplus funds result from the Aurora Town Square's 2023 operations, they will be contributed to the Town's Tax Rate Stabilization reserve. The cumulative Aurora Town Square operating savings contributions to this reserve have been earmarked to assist in the management of any arising one-time costs once the project becomes operational.

### Planning and Development Services

Planning and Development Services is forecasting a surplus of \$123,900 on a net operating budget of \$12,400. This surplus is mostly attributable to higher than anticipated revenues as well as salary savings due to vacancies.

Not included in this variance is a projected Building Services' surplus of \$295,800 as it is a self-funded per provincial legislation. Any variance in Building Services is offset through an equal contribution to/from its dedicated reserve as appropriate. The forecasted surplus results from vacant position salary savings, as well as an increase in building permit revenues.

### Corporate Revenues and Expenses

Corporate Revenues and Expenses is forecasting a deficit of \$12,200 on a net operating budget of \$5,649,400. This deficit primarily relates to a budgeted draw from the Tax Rate Stabilization reserve being deemed not necessary in consideration of the corporation's overall forecasted surplus, offset by additional tax penalty revenue.

The budget for the Aurora Town Square debt carrying costs is included under Corporate Revenues and Expenses. These costs are expected to be under budget while the project remains under construction. For 2023, the debt repayment costs arise from the use of the construction line of credit. Any unrequired funds of this nature will be contributed to the Facilities Repair and Replacement reserve as planned.

### Aurora Public Library Contribution

The Aurora Public Library anticipates that it will conclude the 2023 fiscal year on budget.

### Total Tax Levy

The Town is forecasting to collect \$56,957,500 of the budgeted total tax levy.

The Tax Levy Funded Net Operating Forecast Update can be found in Attachment #1.

### **A surplus of \$428,400 is forecasted by fiscal year end for the Town's water, wastewater and stormwater operations**

The Town's user rate funded operations are currently projected to close the year with a surplus of \$428,400, representing an increase of \$81,800 from what was forecasted as of April 30<sup>th</sup>. This surplus mostly relates to increased revenue from retail water sales

and service connections and reduced emergency water main repair requirements to date. The key driver of the forecasted storm water services surplus is a reduction in planned storm water infrastructure maintenance in 2023. Table 2 presents a summary of the Town's rate funded operations forecast to year end. More detail can be found in Attachment #2.

**Table 2**  
**2023 Rate Forecast to Year end**

<b>\$000s</b>	<b>Forecast Surplus/(Deficit)</b>
Water Services	87.2
Wastewater Services	88.4
Storm Water Services	252.8
<b>Total User Rate Surplus (Deficit)</b>	<b>428.4</b>

The summer months tend to have the most significant impact on the water and wastewater budget performance. The revenues collected for these two services are directly impacted by weather patterns as residents use more metered water outside their homes.

User rate funded operations budgets include fixed operational costs, funded by the net proceeds from the sale of water, wastewater and storm water services. These fixed operational costs include staff and service maintenance costs related to maintaining the infrastructure systems, water quality testing, and the billing and customer service functions. These costs are not directly impacted by the volume of water flowing through the system.

The fixed costs relating to water and wastewater services are funded from the net revenues earned by these services which are variable in nature as they are based upon metered water consumption volumes. Storm water revenues are not subject to the same volatility as it is billed as a flat fee.

**The forecasted capital spend of \$39.2M as of August 31<sup>st</sup>, 2023 is \$1.5M lower than the Town's forecasted capital spend of \$40.7M as of April 30<sup>th</sup>, 2023.**

The capital project forecast focuses on the planned spending for 2023. As many projects have budgets that span multiple years, any amount that is forecasted to not be spent this year may be rolled forward, if needed, to future years through the capital budget process.

The Town's projected capital spending for the year as of August 31<sup>st</sup>, 2023, is \$1.5M (3.7%) lower than the previously projected capital spending of \$40.1M as of April 30<sup>th</sup>, 2023 and \$39.2M (50%) lower than the originally planned/budgeted 2023 capital spending of \$78.4M for all approved capital projects. A detailed breakdown of the Town's current forecasted capital spend by individual capital project can be found in Attachment #3. A summary of the updated 2023 capital spend forecast is presented under Table 3.

**Table 3**  
**Planned 2023 Capital Spending**

<b>\$000s</b>	<b>Apr. 30 Forecast</b>	<b>Oct. 31 Forecast</b>	<b>Variance</b>
Growth & New	19,929.7	19,100.4	829.3
Asset Management	19,305.7	18,755.6	550.1
Studies & Other	1,428.0	1,311.1	116.9
Total	40,663.4	39,167.1	1,496.3

This report presents the variance between the forecasted active capital project spend as of August 31<sup>st</sup> compared to the forecasted spend as of April 30<sup>th</sup> and provides a brief explanation for each identified material variance. The 2023 forecasted capital spend does not include any projects that were proposed for closure prior to April 30<sup>th</sup>, 2023.

The following is a summary of the Town's key forecasted variances by department for active capital projects.

#### CAO

The office of the CAO is forecasting to defer \$63K in previously approved capital spending from 2023 to 2024 relating to Project #12026 Organization Structural Review.

#### Fire Services

Fire Services does not have any material variances of note.

### Operational Services

Operational Services is projecting planned capital spending of \$6.1M as of August 31<sup>st</sup>, 2023, which is \$636K higher than what was forecasted on April 30<sup>th</sup>, 2023. This variance is partly due to two 6-ton diesel dump sanders totaling \$700K being delivered to the Town during the year. Spending on both vehicles remains within approved capital budget authority.

### Community Services

Community Services is projecting planned capital spending of \$16.3M as of August 31<sup>st</sup>, 2023, which is \$1.4M lower than the \$17.7M that was forecasted on April 30<sup>th</sup>, 2023. This variance is heavily driven by construction delays to the Aurora Town Square project which will result in an estimated \$2.5M in payments deferred to 2024. Conversely, spending on the SARC Gymnasium is advanced from 2024 resulting in 1.3M in cash outflows in 2023.

### Planning and Development Services

Planning and Development Services is projecting planned capital spending of \$12.5M, which is \$424K lower than what was forecasted on April 30<sup>th</sup>, 2023. The primary driver of this variance is that 1M in planned spending for Project AM0038 Road Resurfacing of multiple streets is being deferred to 2024. An additional 2024 funding request will be submitted to cover the increase in costs related to this project.

### Finance

Finance is projecting planned capital spending of \$3.8M, which is \$279K lower than what was forecasted on April 30<sup>th</sup>, 2023. The final planned spend of \$250K for the Financial System project will now be incurred in 2024.

### Corporate Services

Corporate Services does not have any material variances of note.

## **Advisory Committee Review**

Not applicable.



## **Legal Considerations**

None.

## **Financial Implications**

The final annual surplus or deficit in the tax and user rates operating budget will be allocated by Council to / from various reserves at fiscal year end as per the Surplus/Deficit Management bylaw.

Capital projects will be funded throughout the year to match the progress spending in the project. As some planned capital spending is delayed until 2024, this will result in the ability to invest these associated earmarked funds on a short-term basis resulting in higher investment income. The next budget process will consider the current year's forecast along with an update to future requirements for approved projects as part of the 10-year capital plan.

There are no other immediate financial implications arising from this report. Council fulfills its role, in part, by receiving and reviewing this financial status report on the operations of the municipality relative to the approved budget.

## **Communications Considerations**

The Town of Aurora will inform the public about the information contained in this report by posting it to the Town's website.

## **Climate Change Considerations**

The information contained within this report does not impact greenhouse gas emissions or impact climate change adaption.

## **Link to Strategic Plan**

Outlining and understanding the Town's present financial status at strategic intervals throughout the year contributes to achieving the Strategic Plan guiding principle of "Leadership in Corporate Management" and improves transparency and accountability to the community.

## **Alternative(s) to the Recommendation**

1. Not applicable.

## **Conclusions**

Having completed eight months of operations, the Town is presently forecasting to end the year with a favourable budget variance from its tax levy funded operations of \$366,800. This forecast will continue to be subject to change over the remainder of the fiscal year and will also continue to be subject to other more normal influencing variables such as the ultimate level of town services consumed by fiscal year end.

The user rate funded budget is presently forecasting to conclude the year with a surplus of \$428,400.

Any remaining surplus or deficit at fiscal year end will be offset through a contribution or draw from the tax rate stabilization reserve as per the town's 2023 surplus/deficit management bylaw which will be presented to Council for approval later this year.

The Town is presently forecasting to spend \$1.5M less than what was forecasted for all active capital projects on April 30<sup>th</sup>, 2023. These capital cash outflows will be deferred and spent in 2024 and beyond.

## **Attachments**

Attachment #1 – Tax Levy Funded Net Operating Forecast Update

Attachment #2 – Water Rate Funded Net Operating Forecast Update

Attachment #3 – Capital Project Forecast Update

## **Pre-submission Review**

Agenda Management Team review September 28<sup>th</sup>, 2023

## **Approvals**

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer