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Town of Aurora
Audit Committee Report
No. FIN24-032

Subject: 2023 Year-End Operating and Capital Results - as of Dec. 31, 2023

Prepared by: Tracy Evans, Financial Management Advisor

Department: Finance

Date: June 25, 2024

Recommendation

1. That Report No. FIN24-032 be received for information.

Executive Summary

This report presents to Council the year-end financial performance of the Town's 2023 operating and capital budgets. In addition, information is provided on the disposition of the Town's operating budget surplus in accordance with the 2023 Surplus Control By-law No. 6606-24.

- Tax levy funded operations ended the year with a surplus of \$725,100
- Water, wastewater and storm water operations closed the fiscal year with an operating surplus of \$573,400
- The year-end surplus/deficit management bylaw authorizes the CAO and Treasurer to allocate portions of a yearend operating surplus to specific reserve accounts
- The Town's actual 2023 capital spend of \$29.6M was \$1.4M lower than the previously forecasted spend of \$31.0M

Background

To keep Council informed as to the financial status of the operating budget, Council was presented with interim forecast updates over the course of 2023. This report includes the year-end results now that the external audit is substantially complete.

The Town's auditors will present the 2023 draft financial statements to the Audit Committee for review and approval this evening. The audited financial statements are

presented in a format consistent with the Public Sector Accounting Standards (PSAS). This budget is presented in a format consistent with the “traditional balanced municipal budget” approach. A reconciliation between these two formats is presented within the 2023 Audited Financial Statements and Audit report.

Analysis

Tax levy funded operations ended the year with a surplus of \$725,100

The Town’s tax levy funded operations finished the year with a surplus of \$725,100, representing an increase of \$398,700 from the surplus that was reported as of October 31, 2023. Most of the reported surplus consists of savings on staffing, contracts and utilities, and increased revenues in Community Services which are offset by lower than anticipated development driven revenues within Planning and Development Services. Development revenues are market driven and fluctuate from year-to-year.

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

Table 1 presents a departmental summary of the variances.

Table 1
2023 Tax-Funded Operating Year-end Results

\$000s	Budget	Final Actuals	Variance Surplus/(Deficit)
Council	599.9	574.2	25.7
CAO	1,503.2	1,432.8	70.4
Corporate Services	6,094.5	6,193.4	(98.9)
Finance	6,529.5	6,713.8	(184.3)
Fire	12,722.9	12,722.9	0.0
Operational Services	11,960.7	12,054.0	(93.3)
Community Services	11,775.0	10,885.8	889.2
Planning & Development Services	12.4	259.3	(246.9)
Corporate Revenue & Expenses	5,759.4	5,148.1	611.3
Tax Levy	56,957.5	56,709.4	(248.1)
Total Operating			725.1

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.

The following identifies the 2023 year-end variances by department:

CAO and Council

Council and the Office of the CAO budgets ended 2023 with a surplus of \$96,100 on a net operating budget of \$2,103,100. This surplus mostly relates to consulting and conference savings.

Corporate Services

Corporate Services ended 2023 with a deficit of \$98,900 on a total net operating budget of \$6,094,500. This deficit is mostly attributable to salaries and benefits pressures due to the transitioning of staff and larger than anticipated planning and development related legal costs. These deficits are partially offset by additional revenue in By-Law Services.

Finance

Finance ended 2023 with a deficit of \$184,300 on a net operating budget of \$6,529,500. This deficit mostly results from pressures in salaries and benefits arising from very low staff turnover resulting in minimal gapping, increased overtime, and year end accruals for vacation time because of the financial system implementation. There was also an increased pressure relating to software licenses, offset by savings in telephone lines and Webex/zoom contract costs.

Fire Services

As of December 31, 2023, overall Central York Fire Services (CYFS) concluded the year with an operating surplus of \$651,957 on a total approved operating budget of \$30,525,250. This surplus was mostly attributable to savings in salary and benefits due to vacancies as well as increased revenues. These surpluses are offset by increased building, equipment, and vehicle repair costs. Aurora's share of CYFS' total approved budget is \$12,722,900. As per normal practice, the CYFS surplus will be contributed to the shared CYFS general reserve, thus leaving the Town's portion of the Fire Services requirements as budgeted.

Operational Services

Operational Services, excluding water, wastewater and storm water services, ended 2023 with a deficit of \$93,300 on a net operating budget of \$11,960,700.

Key contributors to this deficit are \$170,000 in unplanned fuel and vehicle supply costs, as well as a \$410,000 deficit recognized under Road Network operations arising from a larger than anticipated allocation of staff time to this service due to a less demanding winter management season. As a result, the majority of the Road Network deficit is offset by Winter Management salary and benefits savings. The remaining Road deficit is attributed to increased streetlight maintenance costs due to summer storm damage. These unfavourable variances were partially offset by savings in waste and recycling collection of \$261,100 mostly as a result of the three-bag limit and \$85,000 of savings resulting from no phragmites treatment in 2023.

As per the Town's winter control reserve policy, should winter management operations experience an annual net savings, these savings will be allocated toward the winter control reserve. The savings in salaries and benefits were excluded from the allocation to the surplus, as staffing costs were allocated to non-winter road operations when they were not required for winter maintenance. As such, winter management services recognized \$33,000 in net savings resulting of winter material savings. These savings were transferred to the winter control reserve.

Salaries and wages are split between the tax levy and user rate (water, wastewater & storm water services) funded programs. In any given year, the exact extent of operational service staff support of tax levy or rate funded programs is difficult to accurately predict as such some variability is not unusual. Overall, the department's salaries and benefits for tax supported programs finished the year over budget by \$115,360. This is mainly due to higher than budgeted COLA costs.

Community Services

Community Services ended 2023 with a \$889,200 surplus on a net operating budget of \$11,775,000. The key contributors to this surplus relate to increased revenues of \$805,720 and \$78,250 from community programs and sponsorship/advertising respectively and contract savings of \$287,700. These surpluses are offset by additional salary and benefits of \$259,200 relating to higher than budgeted COLA costs and a shortfall of \$60,300 in ice rental revenue.

The full Aurora Town Square budget (ATS) was fully consumed by the end of 2023, as a result no contribution or withdrawal from the Town's tax rate stabilization was needed.

A total of \$704,000 in unused ATS operating funding has accumulated in the Tax Rate Stabilization reserve to date. These funds will remain available to be drawn upon as required in future years in the management of Aurora Town Square's one-time implementation and ongoing operating costs.

Planning & Development Services

Planning & Development Services ended 2023 with a deficit of \$246,900. This deficit is mostly attributable to lower than anticipated development driven engineering revenues of \$479,000 offset by salary and benefit savings of \$276,900.

Not included in this variance is a Building Services' surplus of \$152,500 resulting from larger than anticipated development driven revenues of \$152,500 and salary savings of \$234,700. As Building Services is a self-funded function as per provincial legislation, if it is unable to recognize sufficient revenues to offset its expenses in a given fiscal year, it will draw from its dedicated reserve to balance its operating budget. If it recognizes excess revenues, these revenues are used to replenish its reserve. As per legislation, this surplus has been contributed to its dedicated reserve.

Corporate Revenues & Expenses

Corporate Revenues and Expenses ended 2023 with a surplus of \$611,300 on a net operating budget of \$5,759,400. The primary driver of this surplus relates to penalty on taxes revenues.

The Aurora Town Square debt carrying costs over the next year is expected to be under budget. In 2023, the only debt related costs were interest costs arising from the use of the construction line of credit. A total of \$145,894 in unspent ATS debt funds have been contributed to the Facilities Asset Management reserve as planned.

Aurora Public Library Contribution

The Aurora Public Library experienced a surplus of \$148,000 from a total approved net operating budget of \$4,052,100, mostly attributable to salary savings. As per the Town's surplus / deficit management bylaw, this surplus was returned to the Town and contributed to the Facility Asset Management reserve.

Total Tax Levy

Overall, the Town collected \$248,100 less than what was budgeted in 2023. More specifically, this decrease was attributable to the Town's final 2022 tax assessment

growth upon which the 2023 tax levy is built, coming in lower than anticipated when the 2023 budgeted tax levy was established after assessment adjustments resulting in tax losses. This reduced revenue collection was absorbed within the overall operating budget.

Water, wastewater and storm water operations closed the fiscal year with an operating surplus of \$573,400

The Town's user rate funded operations ended 2023 with a surplus \$573,400, representing a decrease of \$50,200 from the surplus that was reported as of October 31, 2023. The final reported operating budget surplus is driven by favorable variances in storm water and wastewater services. The key contributors to the storm water services' surplus of \$558,000 is due to savings in contracted services.

The wastewater surplus of \$66,700 was mainly driven by contract savings, which stem from doing fewer emergency repairs than anticipated. Lower than anticipated sewer discharge fees also contributed to the surplus being partially offset by lower than budgeted retail revenues have reduced the overall reported surplus.

The storm water and wastewater service surpluses are partially offset by an operating shortfall in water due to higher than anticipated contract repair expenses. Decreased retail revenues have also contributed to the reported water service deficit.

The 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.

Table 2 presents a summary of the Town's final year financial results for its user rate funded operations. More detail can be found in Attachment 2.

Table 2
2023 User Rate Year-end Results

\$000s	Forecast Surplus/(Deficit)
Water Services	(51.3)
Wastewater Services	66.7
Storm Water Services	558.0
Total User Rate Surplus (Deficit)	573.4

As required by legislation, each of these individual service budget variances must be brought into a balanced position at year-end. The appropriate contribution to or from the user rate funded reserves will be used to balance each of these service line budgets as per the Town's 2023 surplus / deficit management bylaw.

The yearend surplus/deficit management bylaw authorizes the CAO and Treasurer to allocate portions of a yearend operating surplus to specific reserve accounts

On May 28, 2024, the 2023 Surplus/Deficit Management By-law No. 6606-24-24 was presented to Council. This bylaw authorizes the CAO and Treasurer to allocate portions of a year-end surplus to specific reserve accounts, or to offset a year-end operating deficit through a draw from specific reserve accounts as part of the year-end accounting processes. This separates a previous year's budget variance from that of the upcoming year's budget.

The year end surpluses and water services deficit were adjusted by transfers from/to reserves in accordance with the 2023 surplus/deficit management as follows:

Table 3
2023 Surplus Disposition

Reserve Transfer	Amount
Transfer to Roads Asset Management reserve	309,734
Transfer to Studies & Other reserve	154,918
Transfer to Fleet reserve	154,918
Transfer from Water reserve	(51,300)
Transfer to Wastewater reserve	66,700
Transfer to Storm Water reserve	558,000
Tax Rate Stabilization reserve	105,530
Total	\$1,298,500

The Town’s actual 2023 capital spend of \$29.6M was \$1.4M lower than the previously forecasted spend of \$31.0M

The forecasted spend of \$31.0M represents the planned 2023 capital project cash outlay that was presented to Council as part of the Interim Forecast Update as of October 31, 2023. As many projects span multiple years, any planned amounts that are not spent in 2023 can be rolled forward to the following future years through the capital budget process, if needed.

The Town’s 2023 actual capital spending for the year ending is \$1.4M (4.5 per cent) lower than what was forecasted on October 31, 2023 for all approved capital projects. There are many different reasons for why a given capital project’s forecasted spend may not happen. A detailed breakdown of the Town’s actual capital spend by individual capital project can be found in Attachment 3. A summary of the forecasted vs. actual capital spend in 2023 can be found under Table 4.

**Table 4
Forecasted vs. Actual 2023 Capital Spending**

\$000s	Planned / Budgeted Spend 2023	Forecasted Spend for 2023	Actual Spend for 2023	Variance: Forecast vs. Actuals
Growth & New	36,342.0	14,820.4	15,170.9	(350.6)
Asset Management	38,960.5	15,288.9	13,824.0	1,464.9
Studies & Other	2,207.9	929.5	636.7	292.9
Total	77,510.4	31,038.8	29,631.6	1,407.2

Attachment 3 presents the variance between each individual active capital project’s actual spend compared to its forecasted spend for 2023 and provides a brief explanation for each identified material variance. The 2023 actual capital spend does not include any projects that were proposed for closure prior to April 30, 2023; the list of the projects identified for closure over the course of 2023 was included under chapter 19 of the 2024 budget binder.

The following summary presents the 2023 capital variances between the most recent forecasted spend from October 31, 2023, and actual spend by department for its active capital projects.

CAO

The office of the CAO does not have any material variances of note.

Corporate Services

Overall, Corporate Services had actual capital spending of \$70,400 in 2023, which is \$22,200 lower than its forecasted annual spend. The key contributors to this variance include the Administrative Monetary Penalty System (AMPS) Implementation and HR Info/Payroll System projects which will continue into 2024.

Finance

Finance had actual capital spending of \$2,786,200 in 2023, which is \$366,800 lower than the forecasted annual spend. The key contributors to this variance include delays in the delivery and installation of multiple IT infrastructure renewal projects, as well as the deferral of planned Cybersecurity SIEM Service work which was completed in early 2024. All these projects are expected to conclude in 2024.

Fire Services

Fire Services completed 2023 with a total of \$306,000 in expenditures which were \$152,600 higher than what was forecasted as of the end of October. This variance was wholly attributable to the construction of Fire Station 4-5 which experienced unanticipated expenses in its addressing of identified defects.

Operational Services

Overall, Operational Services had actual capital spending of \$3,283,900 in 2023 which was \$562,700 lower than the forecasted annual spend. The most significant contributors to this variance include delays in the acquisition and receipt of multiple fleet and equipment items.

Community Services

Community Services had actual capital spending of \$13,585,600 in 2023, which is \$182,700 higher than the forecasted annual spend. This variance is mostly attributable to the SARC Gymnasium project's expenditures occurring more quickly than previously anticipated. Overall, this project's expenditures are anticipated to conclude within its approved budget authority.

Planning & Development Services

Planning and Development Services had actual capital spending of \$9,599,500 in 2023, which is \$790,700 lower than the forecasted annual spend. The primary driver of this variance is \$1,304,200 in forecasted capital spending relating to roads, traffic, sidewalks, water, and storm sewer projects being carried forward into 2024 as a result of design or construction delays. This variance is partially offset by \$799,800 in similar nature project expenditures arising more quickly than originally anticipated.

Advisory Committee Review

Not applicable.

Legal Considerations

None.

Financial Implications

The Town's final tax levy or user rate funded operating budget surplus or deficit will be allocated by the CAO and Treasurer to / from various reserves as per the Surplus/Deficit Management bylaw.

To minimize the impact to the Town's reserves resulting from COVID-19, Safe Restart grant funding is used to offset any eligible COVID short-falls. A total of \$353,655 in Safe Recovery grant funding was allocated in support of the Town's 2023 operating budgets.

All final 2023 capital project expenditures have now been fully funded with their approved funding sources. Also, the 2025 budget process will consider any unspent 2023 planned expenditures as part of its update to identified future year 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 use 'Inform' as the level of engagement for this project and will post this report 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

Not applicable.

Conclusions

Tax levy funded operations has concluded the fiscal year with a surplus of \$725,100 arising primarily from increased revenues in Community Programs, consulting, and contract savings as well as additional penalty on taxes revenue.

User rate funded budget operations finished the fiscal year with a favourable budget variance of \$573,400.

The Town spent \$1,407,200 less than what was forecasted for all active capital projects in 2023. Since the forecast was used to develop the 2024 capital budget, these capital cash outflows will be deferred and spent in 2024 and beyond resulting in no change to the capital budget authority.

Attachments

Attachment 1 – 2023 Year-end Budget Report – as of December 31, 2023 (Final)-Tax Funded

Attachment 2 – 2023 Year-end Budget Report – as of December 31, 2023 (Final)-Water Funded

Attachment 3 – 2023 Forecasted Capital Spend vs. Actuals – December 31, 2023

Previous Reports

FIN23-030 – 2023 Interim Forecast Update – as of April 30, 2023

FIN23-039 – 2023 Interim Forecast Update – as of August 31, 2023

FIN23-048 – 2023 Interim Forecast Update – as of October 31, 2023

Pre-submission Review

Agenda Management Team review via email on June 14, 2024

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer