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Town of Aurora
Council Report
No. FIN24-046

Subject: Interim Forecast Update – as of August 31, 2024

Prepared by: Tracy Evans, Financial Management Advisor

Department: Finance

Date: October 22, 2024

Recommendation

1. That Report No. FIN24-046 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, 2024.

- A year end tax levy surplus of \$873,500 is anticipated as of August 31, 2024
- The Town's water, wastewater and stormwater operations is forecasting a surplus of \$470,100 by fiscal year end
- The forecasted capital spend of \$55M as of August 31, 2024 is \$23M lower than the Town's forecasted capital spend of \$78M as of April 30, 2024

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 2024 Surplus / Deficit Management By-law which was approved by Council on May 28, 2024.

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

A year end tax levy surplus of \$873,500 is anticipated as of August 31, 2024

The Town’s tax levy funded operations are forecasted to finish the year with an anticipated surplus of \$873,500.

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 2024 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.

Table 1
2024 Operating Forecast to Year end

\$000s	Budget	Forecast	Variance Surplus/(Deficit)
Council	648.8	635.1	13.7
CAO	1,622.0	1,592.8	29.2
Corporate Services	6,380.7	6,289.1	91.6
Finance	7,241.2	7,150.8	90.4
Fire	13,063.9	13,063.9	-
Operational Services	12,389.6	12,579.3	(189.7)
Community Services	12,782.4	12,645.5	136.9
Planning & Development Services	(522.8)	(760.1)	237.3
Corporate Revenue & Expenses	6,237.7	5,773.6	464.1
Tax Levy	(59,843.5)	(59,843.5)	-
Total Operating			873.5

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 2024 includes \$80,901,100 in approved

expenditures, funded by \$21,057,600 in revenues consisting of user fees, charges and investment income and a total tax levy of \$59,843,500.

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 \$42,900 on a net operating budget of \$2,270,800. This surplus relates mostly to forecasted savings in contracts and conferences.

Corporate Services

Corporate Services is forecasting a surplus of \$91,600 on a total net operating budget of \$6,380,700. This surplus is mostly attributable to savings in salaries due to temporary position vacancies, offset by a shortfall in legal revenues.

Finance

Finance is forecasting a surplus of \$90,400 on a net operating budget of \$7,241,200. This surplus is mostly attributable to anticipated savings in contracts due to efficiencies and higher than anticipated revenues.

Fire Services

The total approved 2024 operating budget for Central York Fire Services (CYFS) is \$31,335,900. Aurora's share of this total budget is \$13,063,900. 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 stormwater services is forecasting an overall deficit of \$189,700 on a net operating budget of \$12,389,600. Key contributors to this deficit are higher than anticipated costs in streetlight repairs and unplanned repairs to sidewalk trip ledges. These unfavourable variances are partially offset by a surplus in higher than anticipated grant revenue within Waste Collection and Recycling. Currently, Winter Management is tracking on budget. As per the Town's winter control reserve policy, should a surplus happen by year end the equivalent surplus will be contributed to the Winter Management reserve. If a winter management deficit were to be experienced and the overall Town operating budget is unable to

accommodate the full reported deficit, any required funding shortfall can be drawn from this reserve.

Operational Services' salaries and wages are split between tax levy and rate (water, wastewater and stormwater 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 \$136,900 surplus on a net operating budget of \$12,782,400. The key contributor to this surplus relates to forecasted utility and contract savings. These surpluses are partially offset by reduced ATS program revenue resulting from a later than scheduled opening as well as a reduction in community program revenue.

At this time, no Aurora Town Square operating budget savings are anticipated. Should any savings of this nature be experienced at fiscal year end, these savings will be contributed to the Town's Tax Rate Stabilization reserve. This funding strategy will conclude at the end of 2024 with the ATS' substantial completion. The cumulative Aurora Town Square operating savings held within the Tax Rate Stabilization reserve have been earmarked to assist in the management of any arising one-time costs in support the Square reaching its full operational capacity.

Planning and Development Services

Planning and Development Services is forecasting a surplus of \$237,300 on a net operating budget of \$522,800. This surplus is mostly attributable to higher than anticipated development revenues and salary savings due to temporary vacancies.

Not included in this variance is a projected Building Services' surplus of \$561,800 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. This forecasted surplus results from temporary vacant position salary savings, as well as an increase in building permit revenues.

Corporate Revenues and Expenses

Corporate Revenues and Expenses is forecasting a surplus of \$464,100 on a net operating budget of \$6,237,700. This surplus primarily relates to unplanned HST rebates as well as larger than anticipated tax penalty revenue.

A budget of \$510,000 is included under the Corporate Expenses for the Aurora Town Square (ATS) debt carrying costs. On September 24, 2024, Council approved a short-term asset management funding strategy which included the redirection of this amount in support of asset management reserves on an ongoing basis. As part of this funding usage transition, it will firstly be used to offset any 2024 ATS debt carrying costs which consist solely of interest costs arising from the use of its construction line of credit. For 2024, these costs are anticipated to be less than the available \$510,000 budget. Any unrequired funds of this nature at year end will be contributed to asset management reserves as per the short-term asset management funding strategy.

Aurora Public Library Contribution

The Aurora Public Library anticipates that it will end the 2024 fiscal year on budget.

Total Tax Levy

The Town is forecasting to collect \$59,843,500 of the budgeted total tax levy. The Tax Levy Funded Net Operating Forecast Update can be found in Attachment #1.

A surplus of \$470,100 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 \$470,100. This surplus mostly relates to increased revenue from service connections and anticipated contract savings. Further savings are also anticipated from storm pond maintenance. 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
2024 Rate Forecast to Year-end

\$000s	Forecast Surplus/(Deficit)
Water Services	159.2
Wastewater Services	152.5
Storm Water Services	158.4
Total User Rate Surplus (Deficit)	470.1

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 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 stormwater 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. Stormwater revenues are not subject to the same volatility as it is billed as a flat fee.

The forecasted capital spend of \$55M as of August 31, 2024 is \$23M lower than the Town's forecasted capital spend of \$78M as of April 30, 2024.

The capital project forecast focuses on the planned spending for 2024. 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, 2024, is \$23 million (29 per cent) lower than the previously forecasted 2024 capital spend of \$78M as of April 30, 2024 and \$36M (39 per cent) lower than the originally planned/budgeted 2024 capital spend of \$91M 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 2024 capital spend forecast is presented under Table 3.

Table 3
Planned 2024 Capital Spending

\$000s	Apr. 30 Forecast	Aug. 31 Forecast	Variance
Growth & New	29,058.1	26,649.7	2,408.4
Asset Management	46,695.5	27,273.6	19,421.9
Studies & Other	2,046.0	1,334.6	711.4
Total	77,799.6	55,257.9	22,541.7

This report presents the variance between the forecasted active capital project spend as of August 31st compared to the forecasted spend as of April 30th and provides a brief

explanation for each identified material variance. The 2024 forecasted capital spend does not include any projects that were proposed for closure prior to April 30th, 2024.

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

CAO

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

Fire Services

Fire Services does not have any material variances of note.

Operational Services

Operational Services is projecting planned capital spending of \$15.1M as of August 31, 2024, which is \$2.3M lower than what was forecasted on April 30, 2024. Planned capital spending of \$835K is deferred to 2025 due to construction delays for the David Tomlinson Nature Reserve. In addition, \$877K of planned spending on the Structural Lining of Sani Sewermains & Laterals project has been postponed to 2025 to accommodate the completion of the Engineering sani sewer and watermain assessments.

Community Services

Community Services is projecting planned capital spending of \$15.5M as of August 31, 2024, which is \$500K lower than the \$16.0M that was forecasted on April 30, 2024. Planned capital spending of \$280K for various roofing repair and replacement projects has been delayed pending the completion of a town wide facility roof audit.

Planning and Development Services

Planning and Development Services is projecting planned capital spending of \$21.0M, which is \$17.4M lower than what was forecasted on April 30, 2024. This variance is heavily driven by construction delays in various water, stormwater, sani sewer and roads projects which will result in an estimated \$13.0M in planned payments being deferred to 2025. In addition, as detailed under Attachment 3 multiple projects are expected to be completed under budget resulting in a total savings of \$4.2M.

Finance

Finance is projecting planned capital spending of \$2.9M, which is \$2.1M lower than what was forecasted on April 30, 2024. This variance is heavily driven by the Water Meter Replacement Program project, whose forecasted spending of \$1.2M is being deferred to 2025 to reflect updated project delivery timelines. Delays to multiple IT projects will also result in \$850K in funds being spent in 2025.

Corporate Services

Corporate Services is projecting planned capital spending of \$240K, which is \$152K lower than what was forecasted on April 30, 2024. The key contributors of this variance include \$104K in planned spending for the Customer Experience Plan and Emergency Response Plan Update now expected to occur in 2025.

Advisory Committee Review

Not applicable.

Legal Considerations

None.

Financial Implications

The final annual surplus or deficit in the tax and user rate operating budgets will be allocated by Council to / from various reserves at fiscal year end as per the Surplus/Deficit Management By-law 6607-24.

Capital projects will be funded throughout the year to match the progress spending in the project. As some planned capital spending is delayed until 2025, this will result in the ability to invest these associated earmarked funds on a short-term basis resulting in additional investment income for the Town. The next budget process will consider the current year's forecast along with an update to future cash flow 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

Not applicable.

Conclusions

Having completed eight months of operations, the Town is presently forecasting to end the year with a favourable budget variance from tax levy funded operations of \$873,500. This forecast will continue to be subject to change over the remainder of the fiscal year and be subject to other normal influencing variables such as the actual 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 \$470,100.

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 2024 Surplus/Deficit Management By-law 6607-24 which was approved by Council on May 28, 2024.

The Town is presently forecasting to spend \$23 million less than what was forecasted for all active capital projects on April 30, 2024. These capital cash outflows will be deferred and spent in 2025 and beyond.

Attachments

Attachment 1 – 2024 Interim Tax Levy Funded Net Operating Forecast Update – as of August 31, 2024

Attachment 2 – 2024 Interim Water Rate Funded Net Operating Forecast Update – as of August 31, 2024

Attachment 3 – 2024 Budgeted Capital Spend Forecast Update – as of August 31, 2024

Pre-submission Review

Agenda Management Team review October 11, 2024

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer