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Town of Aurora

General Committee Report

No. FIN22-023

Subject: 2022 Interim Forecast Update – As of April 30, 2022

Prepared by: Tracy Evans, Financial Management Advisor

Department: Finance

Date: July 5, 2022

Recommendation

1. That Report No. FIN22-023 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 April 30, 2022.

- An overall tax levy surplus of \$702,500 is anticipated by fiscal year end
- The Town's water, wastewater and stormwater operations is forecasted to be on budget by fiscal year end
- COVID-19 continues to have a financial impact on the Town's operations
- The forecasted capital spend of \$54.7M for 2022 is \$36.7M lower than the Town's original planned capital spend of \$91.4M for the year

These forecasted variances will continue to be subject to change for the remainder of the fiscal year. Any further COVID-19 impacts on the Town's financial performance for the remainder of the year is difficult to predict. 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 2022 surplus control 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 in consideration of the Town's present COVID-19 assumptions and forecasted an expected year end position. Finance staff have reviewed each submission and performed the necessary consolidation.

The pandemic continued to have an impact on the Town in early 2022. The province moved into the next step of reopening in March, where capacity limits were lifted on all indoor settings as well as lifting proof of vaccination requirements.

Analysis

An overall tax levy surplus of \$702,500 is anticipated by fiscal year end

The Town's tax levy funded operations are forecasted to finish the year with an anticipated surplus of \$702,500, based upon its present COVID-19 assumptions.

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 2022 budget was an additional \$50,000 for the additional salary gapping based on previous years trends. This amount was budgeted in Corporate Revenue & Expenditures.

As of this report, a total of \$438,200 in salary and benefit savings are forecasted, mostly relating to position vacancies. Higher than usual staff turnover seems to be a common trend being experienced across most industries right now.

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 2022 includes \$75,611,600 in approved expenditures, funded by \$21,407,500 in revenues consisting of user fees, charges, and investment income, and a total tax levy of \$54,204,100.

Table 1 presents a departmental summary of the forecasted variances.

Table 1
2022 Operating Forecast to Year end

\$000s	Budget	Forecast	Variance Surplus/(Deficit)
Council	588.1	584.7	3.4
CAO	1,454.0	1,412.5	41.5
Corporate Services	10,258.0	9,939.0	319.0
Finance	2,420.2	2,328.3	91.9
Fire	12,294.9	12,294.9	-
Operational Services	11,230.2	11,201.4	28.8
Community Services	10,204.2	9,974.4	229.8
Planning & Development Services	735.2	574.8	160.4
Corporate Revenue & Expenses	5,019.2	5,191.6	(172.4)
Tax Levy	54,204.1	54,204.1	-
Total Operating			702.5

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 \$44,900 on a net operating budget of \$2,042,100. This surplus mostly relates to projected sponsorship grant savings based upon applications received to-date and consulting savings.

Corporate Services

Corporate Services is forecasting a surplus of \$319,000 on a total net operating budget of \$10,258,000. This surplus is mostly attributable to savings in salaries due to vacancies.

Finance

Finance is forecasting a surplus of \$91,900 on a net operating budget of \$2,420,200. This surplus mostly results from salary savings arising from temporary vacancies as well as higher than budgeted revenue from fees and services.

Fire Services

The total approved 2022 operating budget for Central York Fire Services (CYFS) is \$29,540,900. Aurora's share of this total budget is \$12,294,900. 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 surplus of \$28,800 on a net operating budget of \$11,230,200. Key contributors to this surplus are COVID-19 driven salary savings relating to Crossing Guard services for school closures early in the year and additional revenue in waste collection due to the bag tag program. These favourable variances are partially offset by higher than anticipated salary costs and increased streetlight maintenance costs in Roads Network Operations, offset partially by salary savings in Winter Management. Park Operations has increased its projected ball diamond/soccer field permit revenues because of COVID-19 restrictions being lifted. The unfavourable variance in Fleet relates to increased fuel costs.

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 \$229,800 surplus on a net operating budget of \$10,204,200. The key contributors to this surplus all relate to salary and contract savings, as well as slight savings in facility operation utility/heating costs. These surpluses are offset by reduced community program, sponsorship/advertising, ice rental and special events revenues, mostly attributable to COVID-19 restrictions in early 2022.

Aurora Town Square's unspent operating budget savings are anticipated relating to the implementation of the Town's financial strategy to phase in its projected incremental operating costs prior to it becoming fully operational in 2023. Any surplus funds relating to Aurora Town Square's operation 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. As of April 30th, no savings of this nature are forecasted.

Planning and Development Services

Planning and Development Services is forecasting a surplus of \$160,400 on a net operating budget of \$735,200. This surplus is mostly attributable to salary savings due to vacancies as well as unanticipated grant revenue.

Not included in this variance is a projected Building Services' surplus of \$1,091,500 as it is a self-funded function as 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 \$172,400 on a net operating budget of \$5,019,200. This deficit is expected as it primarily relates to Town wide salary and benefit adjustments including \$127,000 in budgeted salary gapping savings relating to the staffing of newly approved positions for 2022 during the first six months of the year. The offsetting actual salary and benefit savings are reflected as part of each department's forecast update.

The Aurora Town Square's established budget for its ongoing debt carrying costs is included under Corporate Revenues and Expenses. These costs are expected to be

under budget over the next year and half while the project remains under construction. In 2022, the only debt related costs will be the interest costs arising 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 may conclude the 2022 fiscal year in a surplus position as a result of COVID-19.

Total Tax Levy

The Town is forecasting to collect \$54,204,100 of its budgeted total tax levy.

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

A surplus/deficit of zero 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/deficit of zero including a \$10,000 deficit from water / wastewater services and a slight surplus of \$10,000 in storm water services. This surplus mostly relates to increased revenue in storm water, offset by increased expenses for emergency water main repairs.

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
2022 Rate Forecast to Year end

\$000s	Forecast Surplus/(Deficit)
Water Services	(53.2)
Wastewater Services	43.2
Storm Water Services	10.0
Total User Rate Surplus (Deficit)	0.00

The summer months tend to have the most significant impact on the water and wastewater budget. The revenues collected are directly impacted by the 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 are funded from the net revenues earned by these services which are variable in nature due to the fact that they are based upon metered water consumption volumes. Storm water revenues are not subject to the same volatility as the water and wastewater service lines as it is billed as a flat fee.

COVID-19 continues to have a significant financial impact on the Town's operations

COVID-19 continues to have a material impact on the Town's forecasted financial results. Table 3 offers a summary of the Town's related pressures as outlined in the 2022 budget which are offset by Safe Restart/Municipal Recovery Funding:

Table 3
COVID-19 Related Pressures

\$000s	
Tax Levy Funded Operations:	
Managing net revenue losses for community programs and events	491.1
Managing facility revenue losses and maintaining clean spaces	334.6
Modified services to support the community during COVID-19 recovery and reduce in-person contacts	47.5
Advancement or adaptation of Corporate Technology Strategic Plan initiatives to support remote access and work during pandemic	175.5
Safe Restart/Municipal Recovery Funding	(1,048.7)
Net Impact	-

The forecasted capital spend of \$54.7M for 2022 is \$36.7M lower than the Town's original planned capital spend of \$91.4M for the year.

The capital project forecast focuses on the planned spending for 2022. 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 April 30, 2022 is \$54.7M (40%) lower than the budgeted capital spending of \$91.4M. 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 2022 capital spend forecast is presented under Table 4.

Table 4
Planned 2022 Capital Spending

\$000s	Planned Spend for 2022	Apr. 30 Forecast	Variance
Growth & New	58,489.3	33,708.3	24,781.0
Rehab & Replacement	31,418.6	19,928.8	11,489.8
Studies & Other	1,520.6	1,071.9	448.7
Total	91,428.5	54,709.1	36,719.5

This report presents the variance between the forecasted active capital project spend as of April 30, 2022, compared to the planned spend for 2022 and provides a brief explanation for each identified material variance. The 2022 forecasted capital spend does not include any projects that were proposed for closure prior to April 30th, 2022.

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 \$84,000 in previously approved capital spending from 2022 to 2023 which includes Project #12026 Organization Structural Review and Project #12034 Town of Aurora Website.

Fire Services

Fire Services does not have any material variances of note.

Operational Services

Operational Services is projecting planned capital spending of \$6.9M as of April 30, 2022, which is \$4.7M lower than the budgeted planned spending for the year of \$11.6M. The planned capital spending of \$4.0M is deferred to 2023 due to construction delays in various operational services capital projects as highlighted in Attachment 3. This includes \$1.5M towards the Non-Programmed Park in 2C and 1.2M for the David Tomlinson Nature Reserve. In addition, a Council report on options for the AFLC – Skate Park Reconstruction will be presented in the first quarter of 2023. Therefore, \$516K of the planned spend on this project has been postponed to 2023.

Community Services

Community Services is projecting planned capital spending of \$25.3M as of April 30, 2022, which is \$21.1M lower than the budgeted planned spending for the year of \$46.4M. This variance is heavily driven by the projected spending in 2022 for the Aurora Town Square project being \$10.0M less based on the projected monthly cash outflows for the remainder of this year. The funds will be spent in 2023. The other major projects whose 2022 planned spending has been deferred to 2023 include the new Aquatic Center and the SARC Gymnasium.

Planning and Development Services

Planning and Development Services is projecting planned capital spending of \$13.3M as of April 30, 2022, which is \$8.7M lower than the budgeted planned spending for the year of \$22.0M. The primary driver of this variance is a delay in the repair of the damaged storm pipe on Henderson Drive for \$3.0M and Reconstruction of Popular Crescent for \$3.8M. The completion of both projects was delayed as the Town is waiting for York Region to complete their portion of construction.

Finance

Finance is projecting planned capital spending of \$2.6M as of April 30, 2022, which is \$1.2M lower than the budgeted planned spending for the year of \$3.8M. Due to contract delays and global materials shortages for the Advanced Metering Infrastructure project, \$600K of this planned 2022 spend will now be incurred in 2023. In addition, \$600K in planned spending for the Water Meter Replacement Program will continue into 2023/2024.

Corporate Services

Corporate Services is projecting planned capital spending of \$2.4M as of April 30, 2022, which is \$867K lower than the budgeted planned spending for the year of \$3.2M. The key contributors of this variance include \$567K in IT project spending that will be carried forward into 2023 and 2024.

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. To minimize the impact to the Town's reserves resulting from COVID-19, if required the COVID-19 Recovery Funding will be used to offset any COVID short-falls experienced.

Capital projects will be funded throughout the year to match the progress spending in the project. As some planned capital spending is delayed until 2023, this will result in the ability to invest the 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 use 'Inform' as the level of engagement for this project. In order to inform, this report will be posted 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 four months of operations, the Town is presently forecasting to end the year with a favourable budget variance from its tax levy funded operations of \$702,500. This surplus mostly attributed to salary savings of \$438,200 resulting from temporary position vacancies. This forecast will continue to be subject to change over the remainder of the fiscal year as the Town adjusts in response to COVID-19 impacts. This forecast 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 on budget.

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 2022 surplus/deficit management bylaw which will be presented to Council for approval later this year.

The Town is presently forecasting to spend \$36.7M less than what was originally planned for all active capital projects as at April 30, 2022. These capital cash outflows will be deferred and spend in 2022 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 June 16, 2022

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer