

## Appendix 2 - CORS-056-22

### 2022 Operating Variance Commentary By Department

Variances impacting multiple departments of the Town are highlighted below.

#### Staff Gapping

In 2022, the Town has budgeted for savings from staff vacancies in the amount of \$700,000. As staff gapping savings are identified, the salary and benefit budget is reduced within the respective department while an offsetting variance is shown against the budgets in General Government up to the full year budgeted gapping amounts. This redistributes the annual budget from the departments as the savings are being incurred.

The Town wide staff gapping savings that were projected through the May variance review process are \$881,632. As such, the target of \$700,000 is expected to be reached and additional savings in the amount of \$181,632 are expected to be realized.

#### Insurance

As previously reported through CORS-010-22, the Town's comprehensive insurance portfolio premium for 2022 increased by approximately 40% for the overall program. Total insurance costs amounted to \$1,026,153 and an unfavourable variance to budget of \$157,496 is being reported for the Town. Insurance costs have been allocated across departments and corresponding forecast changes reflecting variances to budget for each department have been completed.

#### Fuel

Unexpected increases in fuel rates in 2022 are resulting in an estimated unfavourable variance of \$172,079. Price escalations have been partially mitigated to date through variances in consumption relative to budgeted quantities. This is an area of continued financial risk for the Town as price volatility may result in further financial impacts as the year progresses.

#### Utilities

Reducing hydro consumption has been the focus of several recent capital programs. LED lighting upgrades at the Mattamy National Cycling Centre, the Milton Sports Centre, and the Milton Leisure Centre have reduced consumption and maintenance costs. Solar panels have been installed at Sherwood Community Centre to satisfy facility demand with renewable energy. These projects, along with reduced demand have led to energy consumption reductions with utility savings of \$232,005 being reported within the Town facilities. Additional hydro consumption savings of \$50,000 are projected resulting from the LED street light replacements.

Utility rates are another area being closely monitored by staff as changing rates, combined with changes in consumption, could result in continuing impacts to the financial forecast.

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Variances identified within specific departments are as follows:

#### **Mayor & Council - \$325 Projected Favourable**

The variance is the result of the insurance allocation.

#### **Executive Services - \$49,244 Projected Favourable**

Office of the CAO is reporting an unfavourable variance of \$353 which relates to the insurance allocation.

Strategic Initiatives and Economic Development is reporting savings of \$62,138. A portion of this is driven by savings from staff vacancies in the amount of \$20,433. It is expected that there will be savings of \$25,000 this year in marketing/advertising costs pending an external study which will review and recommend how to best utilize this budget going forward. As discussed in ES-006-22, Digital Service Squad funding of \$48,356 in 2022 is being utilized to fund a contract position. Additional lease revenue of \$12,000 is also being projected. The balance of the variance is due to reductions in contracts and the insurance allocation.

Fire is projecting increased expenditures of \$12,539 due to the reallocation of insurance costs, offset in part by an increase in smoke detector grants.

#### **Corporate Services - \$252,442 Projected Favourable**

The Finance division is reporting a surplus of \$128,260. Staff gapping savings of \$68,426 is being reported, which is partially offset by an insurance cost allocation of \$7,666 and some savings in professional development. Additional Mortgage Company Processing Fee revenue of \$65,000 is expected by year end.

Information Technology is reporting savings of \$88,739. This is largely due to staff gapping savings of \$91,441 which is partially offset by the insurance cost allocation.

Human Resources is reporting a surplus of \$33,999. Expected savings in the area of continuing education and corporate training is slightly offset by increased insurance costs.

The Legislative and Legal Services division is reporting a surplus of \$2,385. Short term rentals (DS-053-22) and the Administrative Penalty System (APS) project have been reflected as an increase in staffing costs offset by a contribution from the tax rate stabilization reserve and a contribution from capital, respectively.

Strategic Communications is reporting a \$942 increase in expenditures related to the insurance allocation.

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#### General Government - \$665,584 Projected Unfavourable

In 2021 Milton received \$1,502,534 from the 2021 Provincial COVID-19 Recovery Fund to be used towards managing the financial pressures associated with COVID-19. At year end excess funding was transferred to reserve and interest was applied to it. This funding, in the amount of \$85,406 was transferred from reserve to the operating budget in 2022 where it was used to partially offset the impact of provincially mandated facility shutdowns early in the year.

In 2022, the Town budgeted for savings from staff vacancies in the amount of \$700,000. As staff gapping savings are identified, the salary and benefit budget is reduced within the respective department while an offsetting variance is shown against the budgets in General Government up to the full year budgeted gapping amounts. This redistributes the annual budget from the departments as the savings are being incurred. By end of May 2022, the Town wide staff gapping savings identified were \$881,632. The target of \$700,000 has been reached and additional savings in the amount of \$181,632 have been realized.

Year to date fully paid time off for staff associated with COVID related Infectious Disease Emergency Leave is \$21,013 with no net impact to the Town as it is fully recovered from the Province.

Based on Town policy the investment income related to reserve funds, including development charge reserve funds, is allocated directly to the specific reserve fund with the remaining going through the operating budget. Due to a higher than anticipated portfolio balance and overall increase in yields, investment income for the Town is forecasted to be \$2.2 million favourable to budget, with \$1.5 million flowing through Financing Revenue within General Government and then allocated to specific reserves as identified through the budget process with no impact to the bottom line. Based on fluctuating market conditions and varying reserve and reserve fund balances, overall investment income and allocations to specific funds may change throughout the year.

The Property Tax Capping Program coordinated with the Region has ended with a surplus. As a result, the Town has received a refund, including interest, in the amount of \$117,600. Tax write-offs are trending higher than budget and are an area of risk that staff will continue to monitor. At the current time, an additional \$144,000 has been added to the forecast.

The sale of a parcel of Town owned land resulted in net proceeds of \$2.1 million which were transferred to the Property Transactions Reserve in accordance with Town policy.

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As discussed through the Milton Hydro Holdings staff report (CORS-006-22) the Town's \$14.9 million promissory note to Milton Hydro was restructured and returned to the Town in January 2022. As the Town historically received a fixed dividend/interest amount each year the re-financing will create fluctuations in the annual dividend/interest payments received year to year from Milton Hydro. To stabilize the 2022 operating budget for the projected net shortfall in budgeted dividend/interest payments an estimated \$1.0 million transfer is forecasted and will be reviewed at year end.

#### **Community Services - \$153,086 Projected Unfavourable**

A realignment of staffing positions within Community Services is creating variances between divisions but results in no net impact to the Town's bottom line.

Recreation and Culture Facilities is projecting a net surplus to budget of \$356,784. Staff gapping savings of full time staff positions of \$111,219 is being reported. As previously discussed, reduced hydro consumption is expected to result in utility savings of \$232,005 within Town facilities. Facility concession closures through September will result in lost revenue of \$288,338 that will be partially offset by savings in part-time staffing of \$50,822, and materials and supplies of \$105,901. Contract savings of \$25,000 are the result of in-house cleaning at the Sherwood Community Centre. Insurance savings of \$12,773 is a result of the insurance allocation. Additional funding was received from the Canadian Arts Presentation funding in the amount of \$75,000 and assisted in reducing COVID pressure on the performing arts. Similarly, a higher than budgeted amount of Legacy Funding of \$25,139 associated with the Mattamy National Cycling Centre was received.

Administration and Civic Facilities is projecting a deficit of \$229,027. The allocation of insurance premiums resulted in increased costs of \$43,772 with the balance related to the realignment of staffing between divisions.

Programs is reporting a forecasted favourable variance to budget of \$12,350. \$247,195 of savings relates to the realignment of staffing between divisions. Staff gapping savings of \$108,550 are expected. Facility closures in January due to the pandemic, combined with a slower than anticipated uptake in programs is leading to projected reductions in revenue of \$1,074,961 which will be partially offset by savings in part-time staffing of \$575,524 and savings in materials & supplies and contracted services of \$165,171. In accordance with COMS-011-21, \$20,000 from the Community Fund is being reallocated to the new Milton Small Grants Program with no bottom line impact.

Operations is reporting an overall shortfall of \$197,319. Staff gapping savings of \$258,947 are being forecast. As a result of numerous winter thaw/freeze events, winter maintenance contracts and materials spending was higher than anticipated with a negative variance to budget of \$359,736 expected for the year. This is partially offset by increased winter maintenance developer recoveries of \$95,240 due to delays in assumption of certain subdivisions. The winter events also resulted in greater than

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anticipated costs of bus stop snow clearing of \$40,095 which are shown in the Transit division along with an offsetting recovery in Operations. A net reduction in revenues associated with the Regional budget in the amount of \$90,762 is being forecast to align with expected recoveries. An additional \$73,245 negative variance is the result of the insurance allocation. Fuel costs are impacting this division and resulting in an expected negative variance to budget of \$70,857.

Transit is reporting a deficit in the amount of \$95,878. Although transit service and ridership is tracking slightly above budgeted expectations, higher than expected fuel rates are resulting in an expected negative variance to budget of \$101,222. Additional staffing costs of \$69,661 are the result of departmental staff realignment. Winter maintenance costs are \$40,095 greater than budgeted due to higher than anticipated winter events. The Town received unbudgeted federal-provincial funding from the Safe Restart Agreement - Transit Phase 3 in the amount of \$115,557 to assist with COVID-related funding shortfalls early in the year.

#### **Development Services - \$517,407 Favourable**

Planning Services is reporting a surplus in the amount of \$334,857. Staff gapping savings of \$97,421 are being reported along with an increase in user fee revenue of \$237,491, largely driven by increased activity for zoning amendments, subdivision applications and site plans. There are additional staff vacancy savings of \$71,070 offset by reduced recoveries from capital, and the extension of a co-op student contract. Consultant costs and recoveries increased by \$23,461 with no net impact to the Town's bottom line.

Within Building Services, delays in hiring have led to staff savings of \$886,036. Non-residential and residential development building permit applications and revenues are forecast to increase by \$2,499,244. This results in an expected increase in a transfer to the Building Stabilization Reserve this year in the amount of \$3,378,119. Overall there is no net impact to the Town's bottom line.

Infrastructure Management is projecting a \$219,259 favourable variance. Of this amount, \$77,151 is related to staff gapping savings. Increased fee revenue of \$76,590 related to developer recoveries of streetlight hydro and maintenance costs is being forecast due to a shift in timing of subdivision assumptions along with five new subdivisions not anticipated in the original budget estimates. An adjustment to the recoveries associated with staff time spent on capital projects has led to increased revenues of \$18,340. Utility savings of \$50,000 are also projected due to LED street lighting replacement. The remaining variance is the result of the insurance allocation.

Development Engineering is reporting a deficit of \$49,396. Savings in staffing due to staff vacancies in the amount of \$10,433 is being reported, as well as increased agreement revenue. A projected increased cost of \$61,617 is due to performing more work on undeveloped subdivisions than will be recovered through the Engineering and Inspection Fees. This fee is being reviewed through a comprehensive user fee study, currently

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underway to ensure these fees are set to recover the cost of providing service to the greatest extent possible. The remaining variance is the result of the insurance allocation.

The Administration division has a surplus of \$12,687. Staff gapping savings in the amount of \$38,152 is being reported, along with an offsetting amount of \$17,465 related to the insurance allocation.

#### **Library - No Projected Net Variance**

The library has received a \$30,000 Canada Healthy Communities Grant, and a \$23,667 New Horizons for Seniors Grant to offer additional programming. An increase in program expenditures offsets these grants resulting in no net impact to the Library.

#### **Hospital - No Projected Net Variances**

#### **BIA - No Projected Net Variances**

As reported through CORS-031-22, an expense of \$60,000 has been added for the replacement of the mural at Main St. E. and Charles St., partially offset by federal funding of \$45,000. Increased fundraising in the amount of \$24,500 will fund the balance of costs of the mural as well as additional event costs. A reallocation of Town spending on the downtown street festivals is resulting in an additional transfer of \$12,750 from the Town to the BIA to fund event costs. Canada Summer Jobs grant funding of \$5,000 is being forecast, offset by related staffing costs. There is no net overall impact to the BIA.