

Appendix 2 - CORS-064-22

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 September variance review process are \$1,451,490. As such, the budgeted savings of \$700,000 have been reached and additional savings in the amount of \$751,490 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 \$225,141. Although fuel prices have exceeded budget in 2022, the impact has 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 through the balance of the year.

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 \$582,005 being reported within the Town facilities. Additional hydro consumption savings of \$116,897 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 year end position.

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Variances identified within specific departments are as follows:

Mayor & Council - \$3,657 Projected Favourable

A majority of the favourable variance is the result gapping offset in part by an increase in membership fees.

Executive Services - \$33,924 Projected Favourable

Office of the CAO is reporting a favourable variance of \$6,247 which relates to a reduction in professional development costs.

Strategic Initiatives and Economic Development is reporting a deficit of \$19,184. This is largely the result of reduced demand for facility rental space and memberships at the Milton Education Village Innovation Centre, following the pandemic, resulting in \$91,380 in reduced revenue projections. Partially offsetting this are savings from staff vacancies of \$20,433 and marketing/advertising of \$25,000, pending an external study to review and recommend how to best utilize this budget going forward, along with other miscellaneous areas of expected savings. As discussed in ES-006-22, Digital Service Squad funding of \$48,356 in 2022 was utilized to fund a contract position.

Fire is projecting a surplus to budget of \$46,863. Staff savings of \$97,799 are expected as a result of staff vacancies and a reduction in training hours. Savings are also expected in the areas of program equipment and associated expenses of \$38,400 and increased user fees and recoveries from other municipalities of \$41,000. Partially offsetting these savings are increased fleet expenses of \$73,600 due to vehicle maintenance costs and fuel price increases, increased insurance costs of \$14,939, increased clothing costs of \$26,000 and emergency planning contracts of \$12,000.

Corporate Services - \$147,354 Projected Favourable

The Finance division is reporting savings of \$11,820. Staff gapping savings of \$133,526 are partially offset by a \$44,013 increase in contracts and other purchased services along with revenue reductions of \$83,851 in the areas of visa rebates and accounts payable discounts, bid document revenues and tax name ownership revenues, along with other miscellaneous user fees.

Information Technology is reporting savings of \$396,648. This is largely due to staff vacancy savings of \$214,866. The delay of some software implementation is leading to savings of \$153,000 in annual maintenance costs. Additional savings in service agreements and communications costs are being reported in the amount of \$37,298.

Human Resources is reporting a deficit of \$33,701. This is comprised of expected savings in the area of continuing education and corporate training of \$94,550 offset by \$112,000 in HR legal matters and \$15,000 in overtime costs.

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The Legislative and Legal Services division is reporting a deficit of \$269,859, largely the result of an expected shortfall in parking enforcement revenue of \$367,000. This is partially offset by staff vacancy savings of \$84,761. 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 net reduction of \$42,445. A majority of savings is due to savings from staff vacancies, contracts, and materials & supplies. A grant received from Canada Summer Jobs, along with a recovery from capital provided funding for staff work on the Orange Crosswalk and other tourism initiatives.

General Government - \$1,153,261 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 September 2022, the Town wide staff gapping savings identified were \$1,451,490. The budget of \$700,000 has been reached and additional savings in the amount of \$751,490 have been realized.

Year to date paid time off for staff associated with COVID related Infectious Disease Emergency Leave is \$8,608 with no net impact to the Town as it is fully recovered from the Province.

Based on an analysis of corporate wide spending in the area of Administrative expenses, such as professional development and mileage, it is expected that there will be savings in the amount of \$75,000 which has been reflected in General Government.

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. An additional \$610,000 has been added to the forecast.

Penalties and Interest payments are expected to exceed the budget by \$25,000. Based on information received from Halton Court Services, POA revenue is being reduced by

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\$144,345. Final Payments in Lieu and Taxation have resulted in a projected \$21,624 revenue increase.

Although not affecting the projected year end position, a reduction in development activity has resulted in a net anticipated deficit of \$3,978,000 in capital provision and per unit processing fees. This will in turn result in a lower than anticipated balance transferred to reserve.

In 2022 there were events causing additional expenditures to the Town, such as the damage to the Indoor Turf dome from a windstorm earlier in the year. These expenses are tracked centrally within General Government and are reflected as an increase to the Town's expenses of \$209,436. An offsetting recovery is also shown as these expenses may either be recovered through insurance or transfer from the Town's Insurance and Legal Matters reserve.

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 \$3.7 million favourable to budget, with \$2.0 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.

Proceeds from the Ontario Lottery and Gaming Corporation are expected to exceed budget by \$1.0 million with no bottom line impact as the proceeds are transferred to reserve as received.

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.

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. As outlined in CORS-006-22, transfers to/from reserve will be utilized in 2022 to stabilize the impacts associated with any potential variances in Milton Hydro funding distributions.

Community Services - \$230,093 Projected Favourable

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.

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Recreation and Culture Facilities is projecting a net surplus to budget of \$419,369. As a result of the provincially mandated facility closures earlier in 2022 as well as a slower than anticipated recovery from the pandemic, revenue losses of \$1,362,318 are being reported which are partially mitigated by associated reductions in part-time staffing, materials and contracts of \$974,816 as well as unbudgeted funding received from the Canadian Arts Presentation of \$125,625 and MNCC Legacy Funding of \$25,139. Further savings are expected from reduced hydro consumption of \$535,005 and full time staff vacancies of \$111,219.

Administration and Civic Facilities is projecting a deficit of \$40,224, largely driven by the realignment of staffing between divisions.

The Programs division is projecting an unfavourable variance to budget of \$381,129. Recreation programs were also impacted by the provincially mandated facility closures earlier in the year and continued recovery from the pandemic. Lost revenues of \$2,677,358 are anticipated for the year which are partially mitigated by associated savings in part-time staffing and purchased goods and services of \$1,885,238. Further savings of \$367,750 is the result of full time staff vacancies along with the impact of the realignment of staffing between divisions.

Operations is projecting an overall surplus of \$296,716. Due to the number of winter events earlier in the year a negative variance to budget of \$353,476 is anticipated. The increased costs of fuel and insurance in 2022 are expected to have a further negative impact of \$141,714. These pressures are more than offset by savings in crack sealing work of \$353,476, savings from staff vacancies of \$264,315 and additional recoveries from developers of \$95,240 due to a shift in timing of assumption of certain subdivisions, along with other miscellaneous savings in contracts, materials and supplies and sportsfield revenues.

Transit is reporting a deficit in the amount of \$64,642. The negative variance is largely the result of higher than expected fuel rates of \$137,684 in addition to reduced bus fare revenues and GO transit recoveries of \$82,765. An increase of Transit staffing costs of \$69,661 is a result of the departmental staff realignment. These pressures were partially mitigated by unbudgeted federal-provincial funding from the Safe Restart Agreement - Transit Phase 3 in the amount of \$115,557, expected savings in vehicle maintenance costs of \$139,112 and other miscellaneous savings in areas such as advertising.

Development Services - \$781,709 Favourable

Planning Services is reporting a surplus in the amount of \$262,041. Savings from staff vacancies of \$189,936 are being reported along with an increase in user fee revenue of \$93,481 in the areas of zoning amendments, subdivision applications and site plans. Additional staff vacancy savings of \$71,070 are offset by reduced recoveries from capital, and the extension of a co-op student contract. Consultant costs increased by \$27,274 with no net impact to the Town's bottom line as these are recoverable from Developers.

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Within Building Services, delays in hiring have led to staff savings of \$1,412,554. Non-residential and residential development building permit applications and revenues are forecast to increase by \$6,298,781. This results in an expected increase in a transfer to the Building Stabilization Reserve this year in the amount of \$7,785,085. Overall there is no net impact to the Town's bottom line.

Infrastructure Management is projecting a \$469,462 favourable variance. Of this amount, \$138,408 is related to savings from staff vacancies. Increased fee revenue of \$94,843 is largely the result of increased developer recoveries of streetlight hydro and maintenance costs due to a shift in timing of subdivision assumptions. An adjustment to the recoveries associated with staff time spent on capital projects has led to increased revenues of \$18,340. Utility savings of \$116,897 are also projected due to LED street lighting replacement. Contract savings reflecting favourable tender awards and adjusted scope of work in the amount of \$137,414 is being forecast. This is offset by an increase of \$21,538 in materials and supplies for street light maintenance.

Development Engineering is reporting a deficit of \$15,879. 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. Partially offsetting this amount is increased fee revenue of \$33,735.

The Administration division has a surplus of \$66,085. Savings from staff vacancies in the amount of \$46,022 is being reported along with a reduction in copies spending of \$28,500 and \$13,000 in postage and printing costs. These savings are partially offset by additional costs 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 \$39,500 will fund the balance of costs of the mural as well as additional event costs. The BIA was successful in receiving grant funding in the areas of Reconnect Festivals and Events and the Tourism Relief Fund. The Tourism Relief fund will be used for streetlighting downtown, and the Reconnect Festival

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funding will support the 2022 Downtown Milton HolidayFest. A reallocation of Town spending on the downtown street festivals is resulting in an additional transfer of \$15,900 from the Town to the BIA to fund event costs. Canada Summer Jobs grant funding of \$4,000 is being forecast, offset by related staffing costs. These forecast changes are expected to result in a lower than budgeted transfer from the BIA reserve, resulting in no net impact to the BIA.