

Appendix 2 - CORS-034-23

2023 Operating Variance Commentary By Department

Variances impacting multiple departments of the Town are highlighted below.

Staff Gapping

In 2023, the Town budgeted for savings from staff vacancies in the amount of \$825,000. 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 projected through the May variance review process are \$723,746 relative to the target of \$825,000.

Insurance

As previously reported through CORS-010-22, the Town's insurance policies were renewed for an 18 month period at a cost of \$1,324,494 for 2023. An unfavourable variance to budget of \$18,087 is being reported. Insurance costs have been allocated across departments and corresponding forecast changes reflecting variances to budget for each department have been completed.

Fuel and Utilities

Fuel rates and consumption in 2023 have been relatively consistent to budget to date and no variances to budget are expected at this time. Similarly, utility costs are trending on budget to date. These are areas that are closely monitored by Town staff as any price volatility, combined with changes in consumption, may result in financial impacts as the year progresses.

Variances identified within specific departments are as follows:

Mayor & Council - \$12,645 Projected Unfavourable

The variance represents a rebalancing of the budget resulting from the elimination of the benefit premium cost sharing program previously reported in CORS-055-22.

Executive Services - \$239 Projected Favourable

The \$240 favorable variance in Executive Services relates to the insurance allocation.

Corporate Services - \$247,394 Projected Favourable

The Finance division is reporting a surplus of \$117,180. Staff gapping savings of \$116,624 is being reported, which is partially offset by an insurance cost allocation of \$969. Additional fee revenue of \$1,525 is expected by year end.

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Information Technology is reporting savings of \$102,389. This is largely due to staff gapping savings of \$103,527 which is partially offset by the insurance cost allocation.

Human Resources is reporting a deficit of \$1,616 related to a higher than expected cost of service agreements and the insurance cost allocation.

The Legislative and Legal Services division is reporting a surplus of \$25,581. Staff gapping savings of \$36,080 are partially offset by legal costs and the insurance cost allocation.

Strategic Communications is reporting savings of \$3,861 as a result of staff gapping savings, which is partially offset by the insurance cost allocation.

General Government - \$212,650 Projected Unfavourable

In 2023, the Town budgeted for savings from staff vacancies in the amount of \$825,000. 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 2023, the Town wide staff gapping savings identified were \$723,746 relative to the target of \$825,000.

A general surplus of \$500,000 is being reported Town wide to reduce the deficit that would otherwise be reported. This is to reflect the fact that historically while areas of deficit typically become evident early in the year, areas of surplus often materialize as the year continues to progress. As this surplus does not relate to any one particular area at this point it is reflected within General Government.

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 \$2.5 million favourable to budget, with \$1.9 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.

A surplus of \$10,776 is being reported related to the final 2023 taxation revenues associated with payments in lieu and final tax billings to the hydro companies.

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A dividend for 2022 was declared by Milton Hydro Holdings and remitted to the Town in 2023 in the amount of \$3,382,604. Furthermore, based on the most current projections from Milton Hydro, 2023 dividends are expected to be \$823,000 greater than what had previously been included in the Town's budget. In accordance with the Town's Treasury Policy, transfers to reserve will be utilized to stabilize the net impacts relative to the budgeted Milton Hydro funding distributions such that there will be no net impact to the Town from annual fluctuations.

Although not affecting the projected year end position, the timing of development activity has resulted in a net anticipated deficit of \$3,889,146 in capital provision and per unit processing fees. This will result in a lower than anticipated balance transferred to reserve in 2023 with no net impact to the operating forecast.

Community Services - \$234,921 Projected Unfavourable

Recreation and Culture Facilities is projecting a net surplus to budget of \$137,306. Staff gapping savings of \$73,498 are being reported within this figure. An overall net increase in facility booking revenue of \$17,500 and grant revenue of \$32,352 is also reflected. The balance of the variance relates to miscellaneous variances expected in lease revenues, contracts, materials, administration and the allocation of the insurance premiums.

Administration and Civic Facilities is projecting a deficit of \$16,056 largely related an expected reduction in lease revenue which is partially offset by staff gapping savings.

Programs is forecasting a favourable variance to budget of \$23,872 which is largely related to staff gapping savings of \$59,744 as well as savings in materials and contracts of \$18,759. These savings are partially offset by reduced revenue of \$54,635 related to a shift in program offerings.

Operations is expecting an overall unfavourable variance of \$309,008. Of this amount, \$357,079 relates to increased winter maintenance costs associated with numerous winter thaw/freeze events. A further \$68,000 relates to unanticipated repairs to guide rails and \$26,664 relates to the insurance allocation. Partially offsetting this are staff gapping savings of \$89,734 and increased recoveries from developers for winter maintenance of \$51,608 due to new subdivision registrations and a shift in the timing of expected assumptions of existing subdivisions.

Transit is anticipating a deficit in the amount of \$72,132 which is primarily related to winter maintenance associated with snow clearing of bus stops as well as lower than anticipated advertising revenues.

Fire is projecting a surplus of \$1,273 which largely relates to the insurance allocation as well as other miscellaneous adjustments. Unbudgeted grant revenue of \$18,068 was received which will be used for fire related equipment. Although the results of the fire wage

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contract settlement suggested that a variance to budget of \$117,500 could be expected in 2023, it is anticipated that this pressure will be fully mitigated by staff gapping savings within the Fire Division.

Development Services - \$989,851 Projected Unfavourable

Planning Services is expecting a deficit in the amount of \$749,167. Staff gapping savings of \$163,296 are more than offset by an expected shortfall in planning application revenue of \$912,008.

The revenue shortfall is due in part to a market slowdown but is also as a result of the recent enactment (Jan 1, 2023) of new Planning Act legislation Bill 109: More Homes for Everyone Act, 2022 which has had an effect on the timing of applications being submitted. The changes to the Planning Act are focused on streamlining the municipal decision-making process to reduce the amount of time it takes to make a decision on certain Planning Act applications. Expedited approvals require municipalities to refund planning application fees to the applicant when a decision or approval has not been made within the prescribed timeline.

On the basis of the above, in order to process applications for an Official Plan Amendment, Zoning By-law Amendment and/or Site Plan Control within these new reduced timelines, the Town introduced a Pre-Application Process that consists of two stages and will occur before a formal Planning Act application is submitted. This essentially results in front loading the technical review process prior to the submission of a complete application and associated fees. It has resulted in a delay in applications as the applicants are working on their respective pre-submissions. The impact of this delay in submissions and fees will be most prominent in 2023 with this being the year of implementation of the new Pre-Application process.

Lastly, from a growth perspective, 3.2 million square feet of growth originally anticipated in 2024 has now shifted out to 2025 resulting in a corresponding shift in the anticipated timing of associated site plans.

Within Building Services, a decrease in projected building permit revenues of \$5.4 million is forecast for 2023, driven largely by a shift in timing of anticipated residential units for 2023. This is partially offset by staff gapping savings of \$1.0 million. This results in an expected contribution from the Building Stabilization Reserve this year in the amount of \$4.4 million. Overall there is no net impact to the Town's bottom line.

Infrastructure Management is projecting a \$178,655 favourable variance. Of this amount, \$110,360 is related to staff gapping savings. Increased fee revenue of \$57,586 relates to developer recoveries of streetlight hydro and maintenance costs is being forecast due to a shift in timing of subdivision assumptions along with new subdivisions not anticipated in the original budget estimates. The balance primarily relates to other fees expected to exceed budget.

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Development Engineering is reporting a deficit of \$419,162. Of this amount, \$372,672 relates to reductions in anticipated site plan revenue as referenced in the Planning Services section above. A further \$68,872 is due to performing more work on undeveloped subdivisions than will be recovered through the Engineering and Inspection Fees. The remaining variance is the result of an expected increase in other fee revenues.

The Administration division has a deficit of \$177 related to the insurance allocation.

Library - \$82,764 Projected Unfavourable

The library is expecting a deficit of \$82,764 which largely relates to a shortfall in revenue for fees, fine and lost items.

Hospital - No Projected Net Variances

BIA - \$15,754 Projected Unfavourable

The BIA is expecting to be in a deficit position resulting from increased staff related costs of \$36,241, which is partially offset by additional grant revenue received.