

Appendix 2 - CORS-054-23

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 September variance review process are \$1,881,026. As such, the budgeted savings of \$825,000 have been reached and additional savings in the amount of \$1,056,026 are expected to be realized.

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

Reducing hydro consumption has been the focus of several recent capital programs. LED lighting upgrades at 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 have led to energy consumption reductions with hydro savings of \$743,132 being reported within the Town facilities. Partially offsetting this are gas and water cost increases of \$460,851 across the facilities, which is due to a combination of increased rates and consumption.

Grant Funding

The Town was successful in receiving provincial grant funding in 2023 for Next Generation 9-1-1 (NG911) to support the Town's transition to the new NG911 requirements by the federally mandated timeline of March 4, 2025. Total funding of \$409,719 was received, of which \$104,611 will be applied towards IT and Fire related expenditures within the operating budget. The balance will offset costs incurred in the capital program.

Variances identified within specific departments are as follows:

Mayor & Council - \$7,645 Projected Unfavourable

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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 offset in part by a decrease in professional development costs and the insurance allocation.

Executive Services - \$26,139 Projected Favourable

Office of the CAO is projecting a year end surplus of \$29,534 which primarily relates to expected savings in legal spending.

Strategic Initiatives and Economic Development is projecting a deficit of \$3,394. Reduced facility rentals and memberships at the Milton Education Village Innovation Centre is resulting in a projected \$93,200 in reduced revenues, which is partially offset by related decreased transfer to reserve of \$15,000. Savings are expected in marketing/advertising of \$40,000 and utilities of \$23,400, along with other miscellaneous areas.

Corporate Services - \$1,103,624 Projected Favourable

The Finance division is reporting a surplus of \$344,507, largely the result of staff gapping savings of \$289,225 and decreased legal costs of \$50,000.

Information Technology is reporting savings of \$571,246. This is largely due to staff vacancy savings of \$234,276, which is partially offset by increased overtime costs of \$24,000. The delay of some software managed services is leading to savings of \$150,000 in service agreements. Some scheduled software maintenance has proven unnecessary, resulting in a reduction of \$105,000 in annual maintenance costs. Additional savings communications costs are being reported in the amount of \$67,200. New NG911 grant funding of \$37,408 is also being reported.

Human Resources is reporting savings of \$65,384 largely due to savings in continuing education and corporate training of \$35,500 as well as savings in contracts of \$20,000 and other miscellaneous items.

The Legislative and Legal Services division is reporting a surplus of \$95,523. Staff gapping savings of \$181,806 are partially offset by increased legal costs of \$50,000 and postage costs of \$27,949 as well as other miscellaneous savings.

Strategic Communications is reporting savings of \$26,966 as a result of savings from staff vacancies, professional development and advertising.

General Government - \$825,173 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

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annual budget from the departments as the savings are being incurred. By end of September 2023, the Town wide staff gapping savings identified were \$1,881,026. The budget of \$825,000 has been reached and additional savings in the amount of \$1,056,026 have been realized.

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 \$3.0 million favourable to budget, with \$2.9 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. Of the estimated \$3.0 million surplus, \$1.3 million is forecasted to be transferred to the Infrastructure Roads reserve and \$0.6 million to the Infrastructure Facilities Reserve. The remaining \$1.1 million is not currently reflected in the reserve schedules as it will be determined through the year process where best to apply these funds, which may include a reserve or the Town's project variance account.

A surplus of \$10,766 is being reported related to the final 2023 taxation revenues associated with payments in lieu and final tax billings to the hydro companies. Tax write-offs are trending higher than budget and are forecast to be \$125,000 over budget. Penalties and Interest payments are expected to exceed the budget by \$100,000.

Costs associated with insurance related incidents are tracked centrally within General Government. Forecast changes in the amount of \$70,028 are being reported related to the number and cost of incidents in 2023 relative to budget with insurance claim recoveries offsetting the cost of incidents that exceed the Town's deductible. The division is reflected as being balanced to budget for year end with an adjustment to the transfer to/from the Town's Insurance and Legal Matters reserve in accordance with Town policy.

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 \$5,375,917 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.

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Community Services - \$570,351 Projected Favourable

Recreation and Culture Facilities is projecting a net surplus to budget of \$127,309. A net revenue loss of \$338,899 (before insurance recoveries) is being reported in this division related to the Indoor Turf facility being inoperable during 2023 and the transfer in ownership to a third party operator. However, this is more than offset by savings from staff vacancies and reduced part time hours of \$227,036, lower credit card charges of \$62,000, reflecting a reallocation of where these charges are booked, reduced spending in contracts of \$76,000 and savings from reduced hydro consumption of \$90,755, along with other miscellaneous variances expected in administration costs, fee revenue and the allocation of the insurance premiums.

Administration and Civic Facilities is projecting a favourable variance of \$199,925 largely related to utilities savings of \$100,622, and staff savings of \$129,973. An overall net increase in insurance premium fee of \$15,000 is also reflected. A reduction in lease revenue of \$111,023 is expected, which is partially offset by reduced transfer to reserve of \$71,201.

Programs is forecasting a favourable variance to budget of \$258,980. A shift in program offerings has resulted in reduced fee revenue of \$260,078 which is more than offset by related savings in staffing of \$503,049 and materials and contracts of \$149,347. Reflecting a continued shift to online registration, credit card charges are expected to be \$197,000 greater than budget. There are anticipated savings in the recreation subsidy program of \$59,000.

Operations is expecting an overall unfavourable variance of \$587,526. Of this amount, \$482,633 relates to increased winter maintenance costs associated with numerous winter thaw/freeze events. The clean-up of a fuel spill in Sunny Mount Park required unplanned expenditures of \$176,674. Increased costs associated with outsourcing equipment repairs, due to an internal staff vacancy, is expected in the amount of \$85,000. Equipment repair material costs are expected to exceed budget by \$75,000. A further \$98,000 relates to unanticipated repairs to guide rails and higher equipment maintenance contract costs. Partially offsetting this are staff gapping savings of \$152,666, savings from crack sealing program of \$93,400 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. Sportsfield rental revenue is also expected to be \$31,000 greater than budget.

Transit is anticipating a favourable variance of \$118,007 which is primarily related to Go Transit integration revenue increase of \$102,898 due to higher than anticipated GO Transit connections along with an increase in ticket revenue of \$63,235 related to higher than expected ridership. Partially offsetting this are higher winter maintenance costs associated with snow clearing of bus stops.

Fire is projecting a surplus of \$453,656 which largely relates to staff gapping savings of \$251,889 as well as a reduction in part-time staffing costs of \$200,000. Although the

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results of the fire wage 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. Total unbudgeted grant revenue of \$85,272 was received to fund the costs of transitioning to the new NG911 legislative requirements as well as the costs of fire related equipment. Savings are partially offset by additional clothing costs, higher than anticipated fleet maintenance costs and program equipment as well as other miscellaneous items.

Development Services - \$1,160,346 Projected Unfavourable

Planning Services is expecting a deficit in the amount of \$701,183. Staff gapping savings of \$194,126 are more than offset by an expected shortfall in planning application revenue of \$853,188 related to a shift in the timing of planning applications and other budget adjustments related to developer costs and recoveries.

Within Building Services, a decrease in projected building permit revenues of \$6.6 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 \$1.4 million, resulting in an expected contribution from the Building Stabilization Reserve this year in the amount of \$1.0 million as compared to a budgeted transfer to the reserve of \$4.0 million. Overall there is no net impact to the Town's bottom line.

Infrastructure Management is projecting a \$206,588 favourable variance. Of this amount, \$171,590 is related to staff gapping savings. Contract costs are expected to exceed budget by \$90,000 due to an increased cost of underground infrastructure locating services. This is partially offset by a reduction of \$40,000 in spending for bike lane painting. Increased fee revenue of \$84,154 is expected which largely relates to increased developer recoveries of streetlight hydro and maintenance costs due to a shift in timing of subdivision assumptions along with new subdivisions not anticipated in the original budget estimates.

Development Engineering is reporting a deficit of \$685,572. This primarily relates to decreased revenues of \$744,958 associated with the deferred timing of planning applications and building permit activity as referenced above. Additional projected increased cost of \$68,872 is due to performing more work on undeveloped subdivisions than will be recovered through the Engineering and Inspection Fees. A deferral in the timing of the CLI ECA monitoring program will result in savings of \$100,000 in 2023. The remaining variance is the result of increased recoveries of staff from time spent on capital projects.

The Administration division has a surplus of \$19,823 related to savings from copies and postage.

Library - \$151,231 Projected Favourable

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The library is expecting a surplus of \$151,231 which largely relates to staff gapping savings of \$247,394. Partially offsetting this are an expected shortfall in revenue for fees, fines and lost items of \$105,071.

Hospital - No Projected Net Variances

BIA - \$18,296 Projected Favourable

The BIA is expecting to be in a surplus position for year end resulting from additional grant and sponsorship revenue received of \$42,287 and contract costs savings of \$14,000, which is partially offset by increased salary costs due to staffing changes.