

Appendix 2 - CORS-013-24

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.

Town wide staff gapping savings for full time staff in 2023 was \$2,133,999. The budget of \$825,000 was met, with the excess of \$1,308,999 over budget resulting in a net favourable variance to the Town. Additional savings from the temporary leaves of part time staff are reported within each affected department below.

Insurance

As previously reported through CORS-010-22, the Town's comprehensive insurance policies were renewed for an 18 month period at a cost of \$1,324,494 for 2023. Insurance costs are allocated across all departments with an unfavourable variance to budget of \$12,355 being reported for 2023.

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 \$838,734 being reported within the Town facilities. Partially offsetting this is a negative variance in natural gas of \$204,008 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 was applied towards IT and Fire related expenditures within the operating budget. The balance will offset costs incurred in the capital program.

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Variances identified within specific departments are as follows:

Mayor & Council - \$13,522 Favourable

The favourable variance is primarily a result of savings in contracts and professional development.

Executive Services - \$59,402 Favourable

Office of the CAO is reporting a favourable variance of \$8,725 which is largely due to a savings in legal costs.

Strategic Initiatives and Economic Development is reporting a surplus of \$50,677. Reduced facility rentals and memberships at the Milton Education Village Innovation of \$96,275 were more than offset by a related decrease in transfer to reserve as well as savings in marketing/advertising, utilities and staffing costs.

Corporate Services - \$985,663 Favourable

The Finance division is reporting savings of \$376,469 which is the result of savings due to staff vacancies, professional development and legal and consulting costs, partially offset by reductions in various fee related revenues.

Information Technology is reporting savings of \$407,429. This is largely due to lower annual maintenance, service agreement and communications costs as a result of delays in software implementation.

Human Resources is reporting a surplus of \$29,694, primarily related to savings in the area of corporate training and continuing education programs.

The Legislative and Legal Services division is reporting a surplus of \$94,264 which is primarily the result of savings due to staff vacancies, partially offset by associated increases in contractual costs of parking enforcement as well as increased legal costs.

Strategic Communications is reporting a favourable variance of \$77,808, which is primarily due to savings in contracts and marketing initiatives.

General Government - \$899,418 Unfavourable

Savings from staff vacancies in 2023 have been budgeted at \$825,000 within General Government. While the Town met and exceeded the budgeted staff vacancy savings, those savings are not reflected in General Government but rather in each specific department to which they relate.

In the area of Taxation, tax write-offs were greater than budget by \$163,726. However, this was more than offset by penalties and interest payments exceeding budget by

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\$469,341, as well as an increase in supplementary tax revenues of \$305,903 was offset by a transfer to reserve, in accordance with Town policy.

Costs associated with insurance related incidents are tracked centrally within General Government. Net savings in the area of insurance of \$510,536 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.

WSIB claims exceeded budget in 2023 resulting in an unfavourable variance of \$871,845 while POA revenue exceeded budget by \$55,480.

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 was \$3.7 million favourable to budget, with \$3.55 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.

Although not affecting the year end position, deferred timing of development activity has resulted in a deficit of \$5,262,486 in capital provision and per unit processing fees. This results in a lower balance transferred to reserve. The revenue delay has timing implications for the 10 year capital forecast which will be considered through future budgets.

Proceeds from the Ontario Lottery and Gaming Corporation exceeded budget by \$1,177,158 and aggregate permit fees exceeded budget by \$107,478. These revenue fluctuations have no bottom line impact as the proceeds are transferred to 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, Milton Hydro 2023 dividends were \$823,000 greater than what had been previously been included in the Town's budget. In accordance with the Town's Treasury Policy, transfers to reserve were utilized to stabilize the net impacts relative to the budgeted Milton Hydro funding distributions such that there was no net impact to the Town from annual fluctuations.

Community Services - \$1,103,234 Favourable

Recreation and Culture Facilities is reporting a net surplus of \$343,941. A net loss of \$311,534 (before insurance recoveries) is related to the Indoor Turf facility being inoperable during 2023 and the transfer in ownership to a third party operator. User fees were also lower than budget by \$487,289, primarily in the area of ice rentals. However, these shortfalls were more than offset by savings from staff vacancies and reductions in

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part time hours of \$147,937 as well as savings in utilities of \$401,900, contracts and materials of \$338,231 and lower credit card charges of \$71,835, reflecting where these charges are booked. Additional savings were realized in other areas including consultants, insurance and professional development as well as unplanned grant funding received.

Administration and Civic Facilities is reporting a surplus of \$174,371. Although the recovery of staff time working on capital projects was lower than budget by \$323,497 it was more than offset by staff savings of \$342,417. Lease revenue was also below budget by \$104,767 but largely offset by a related reduced transfer to reserve of \$64,310. Further contributing to the surplus was reduced utility consumption of \$189,870 and savings in legal expenses of \$20,654.

The Programs division is reporting a favourable variance to budget of \$513,775. A shift in program offerings resulted in reduced fee revenue of \$157,291 which was more than offset by related savings in staffing of \$547,587 and materials and contracts of \$119,667. Reflecting a continued shift to online registration, credit card charges were \$169,396 greater than budget. The remaining surplus was due to reduced usage of the Milton Access to Recreation subsidy of \$76,488 as well as savings in other areas including trip expenditures, advertising and clothing.

Operations is reporting an overall deficit of \$534,331. Shortfalls to budget were primarily the result of higher than anticipated costs associated with outsourcing fleet maintenance and repairs in the amount of \$401,316. Winter maintenance costs exceeded budget by \$133,715. Parks contracts exceeded budget by \$314,091 due largely to increased vandalism and graffiti as well as unanticipated repairs required across multiple parks. These overages were partially offset by savings in staffing costs of \$200,234 and park rental revenues exceeding budget by \$98,107.

Transit is reporting a favourable variance in the amount of \$652,189 which was largely driven by revenues associated with increased GO Transit fare integration subsidies and fare media sales, combined with savings in fleet costs, particularly vehicle maintenance and fuel.

Fire is reporting an unfavourable variance of \$46,707 due primarily to increased costs of staffing and benefits as well as fleet costs and program equipment, partially offset by higher than expected fee revenue as well as an allocation of a portion of the NG911 grant funding.

Development Services - \$1,489,591 Unfavourable

Planning Services is reporting a deficit in the amount of \$1,059,224 which is largely the result of a deferral in the timing of planning applications which led to a shortfall in planning application revenues in 2023.

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Within Building Services there was a decrease in building permit revenues of \$7.3 million, driven largely by a shift in timing of residential units for 2023. This is partially offset by staff savings of \$1.4 million, resulting in a contribution from the Building Stabilization Reserve this year in the amount of \$1.6 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 reporting a \$31,631 favourable variance. This variance is largely due to net savings from staff vacancies of \$123,502 and increased fee revenue of \$137,464. Partially offsetting these areas of savings were increased contract costs of \$135,404 related to the cost of underground infrastructure locating services and maintenance of streetlight and traffic lights, as well as a lower contribution from reserves in the amount of \$109,285 reflecting a reduced cost and deferred timing of programs that were budgeted to be funded from the Tax Stabilization Reserve.

Development Engineering is reporting a deficit of \$548,387. This primarily relates to decreased revenues of \$809,081 associated with the deferred timing of planning applications and building permit activity as referenced above. A deferral in the timing of the CLI ECA monitoring program will result in contractual savings of \$100,000 in 2023. The remaining variance is the result of savings in staffing costs combined with increased recoveries of staff time from time spent on capital projects.

The Administration division has a surplus of \$86,394 largely due to savings in purchased goods, consultants and legal costs.

Library - \$5,384 Unfavourable

A shortfall in fine collection revenue in 2023 as well as increased costs associated with program expenses and equipment data was largely offset by savings in staff costs and purchased services as well as unplanned grant revenue received.

Hospital - No Net Variances

BIA - \$85,796 Favourable

Although the BIA incurred additional staffing costs of \$29,109 due to staffing changes and incurred higher than budgeted costs for purchased goods and services related to events in the amount of \$10,136, additional grant and sponsorship revenue received in the amount of \$78,584 as well as increased funding from the Town of Milton in the amount of \$38,750 resulted in the BIA being in a surplus to budget.