

Committee of the Whole (2) Report

DATE: Tuesday, September 19, 2023

WARD(S): ALL

TITLE: 2023 MID-YEAR FISCAL HEALTH REPORT

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: FOR INFORMATION

Purpose

To report on the City's fiscal health for the year-to-date period ending June 30, 2023.

Report Highlights

- The City's property tax supported operations ended the second quarter in a favourable position of \$2.5 million (Table 1).
- Combined, the rate supported operations for the second quarter ended in a favourable position of \$4.3 million (Table 1).
- In the first six months of the year, capital expenditures were \$171.5 million (Table 2).
- In the first six months of the year, 37 capital projects were closed and \$4.6 million returned to various originating reserves and reserve funds.

Recommendations

1. That the 2023 Mid-Year Fiscal Health Report as of June 30, 2023, be received.

Background

The Mid-Year Fiscal Health Report provides a snapshot of the City's overall financial health for the first six months of the year and indicates areas requiring further monitoring and corrective actions.

The Report summarizes actual city operating, capital, water, wastewater, and stormwater results as of June 30, 2023, relative to approved budgets and on the same basis as the budget. The full amortization of tangible capital assets and post-retirement benefits are excluded from this report, while transfers to and from reserves, and net debenture financing requirements are included.

Previous Reports/Authority

[2022 Year-End Fiscal Health Report – December 31, 2022](#)

(Item 1, Report No. 23 of the Committee of the Whole, May 16, 2023)

Analysis and Options

Executive Summary

The City's mid-year results for the property tax-supported operating budget and rate-supported operations are summarized in Table 1.

The City's property tax-supported operations ended the second quarter in a favourable position of \$2.5 million. The favourable variance resulted from higher fees and service charges of \$3.8 million, savings in labour costs and program expenditures of \$4.6 million, offset by lower reserve draws of \$4.2 million due to strong revenue collections, and lower than anticipated assessment growth of \$1.5 million. Other variance drivers include higher than budgeted MAT revenues, lower transfers from capital, and higher than budgeted contributions to other reserves (Development Engineering). Attachment 1 shows the financial summary by tax-supported operating categories.

Combined, the water, wastewater and stormwater rate-supported operations ended the second quarter with higher water and wastewater sales, offset by higher water purchases from York Region. Lower spending is mainly attributed to savings in labour costs, lower than budgeted water meter installations, as well as, lower than budgeted contract spending.

Overall, the rate-supported operations ended the second quarter with no contributions to reserves. However, these reserve funds remain necessary for future infrastructure replacements as these assets near the end of their useful life. Therefore, contributions to reserves will be made at year-end based on actual surpluses, if any.

Operating Results – as of June 30, 2023

Table 1				
\$ million	Budget	Actual	Variance	
Property Tax Based Budget				
Revenues	288.9	295.4	6.5	
Expenditures	182.9	186.8	(4.0)	
Net Position	\$ 106.0	\$ 108.6	\$ 2.5	
Water Rate Based Budget				
Revenues	34.6	38.1	3.5	
Expenditures	31.6	32.7	(1.1)	
Net Position	\$ 2.9	\$ 5.3	\$ 2.4	
Wastewater Rate Based Budget				
Revenues	45.1	46.4	1.3	
Expenditures	43.6	42.5	1.1	
Net Position	\$ 1.5	\$ 4.0	\$ 2.4	
Stormwater Charge Based Budget				
Revenues	11.6	10.8	(0.9)	
Expenditures	4.0	3.7	0.4	
Net Position	\$ 7.6	\$ 7.1	\$ (0.5)	
Note - numbers may not add due to rounding				

The City’s Capital Budget mid-year results are summarized in Table 2.

The 2023 approved Capital Budget included \$444.2 million in capital projects. As of June 30, 2023, after all post-budget capital amendments, there were 653 open capital projects with \$991.4 million of available budget remaining.

Capital Results – as of June 30, 2023

Table 2						
Managing Portfolio \$ million	Total Projects	2023	Life-to-Date			
		YTD Actual	Total Budget	Total Actual	Total Variance	% Spent
Open projects	653	\$ 171.4	\$ 1,850.2	\$ 858.8	\$ 991.4	46%
In-Year Closed projects	37	\$ 0.1	\$ 28.2	\$ 23.6	\$ 4.6	84%
TOTAL	690	\$ 171.5	\$ 1,878.4	\$ 882.4	\$ 996.0	47%
Note - numbers may not add due to rounding						

DISCUSSION

Operating Budget Results

Total City revenues at mid-year were \$295.4 million or 2.2% higher than budgeted.

\$ million	YTD Budget \$	YTD Actual \$	Variance	
			\$	%
Fees and Charges Revenue	28.3	32.2	3.8	13.6%
Corporate Revenues	15.7	22.8	7.1	45.5%
Reserve & Other Transfers	12.2	9.5	(2.7)	(22.0%)
Taxation	232.7	230.9	(1.8)	(0.8%)
Total Revenues	288.9	295.4	6.5	2.2%
Note - numbers may not add due to rounding				

Operating Revenue Variances:

Fees and Charges Revenue – favourable variance of \$3.8 million consists of:

- Continuing recovery in revenues of \$3.1 million in Recreation Services.
- Higher fees collection of \$1.9 million in Development Engineering (DE), Building Standards (BSD) and By-Law & Compliance, Licensing & Permit Services; partially offset by:
 - Lower revenues in Development Planning and other departments of \$1.1 million.

Corporate Revenues – favourable variance of \$7.1 million consists of:

- Higher miscellaneous revenues of \$4.0 million paid out to the City for a cumulative employee benefits surplus in the City's benefits provider account.
- Higher revenues of \$1.3 million from Mayor initiatives.
- Higher investment income due to interest rate increases of \$1.2 million.
- Higher MAT revenue collections of \$0.4 million due to gradual recovery in occupancy rates.
- Higher fines & penalties of \$0.9 million due to increased deferral of tax payments; offset by:
 - Dividends from Alectra declared in 2023, are lower by \$0.8 million, reflecting slightly lower than anticipated results for the utility company.

Reserve and Other Transfers – unfavourable variance of \$2.7 million consists of:

- Lower transfers from reserves in DE and BSD due to higher revenue collections of \$3.8 million (as mentioned above), and lower insurance draw required of \$0.5 million; offset by:
 - Higher than budgeted labour recovery from capital projects of \$2.1 million.

Taxation – unfavourable variance of \$1.8 million consists mainly of:

- Lower assessment growth.

Total City expenditures at mid-year were \$186.8 million or 2.2% higher than budgeted.

Table 4				
\$ million	YTD Budget \$	YTD Actual \$	Variance	
			\$	%
Departmental	160.1	156.1	4.0	2.5%
Reserve Contribution & Corp Exp	16.4	24.3	(7.9)	(48.4%)
Long Term Debt	3.3	3.3	0.0	0.0%
Contingency	0.1	0.1	0.0	(0.0%)
Capital From Taxation	3.0	3.0	0.0	0.0%
Total Expenditures	182.9	186.8	(4.0)	(2.2%)
Note - numbers may not add due to rounding				

Operating Expenditure Variances:

Departmental – favourable variance of \$4.0 million consists of:

- Savings in labour costs of \$4.6 million due to gapping.
- Lower reserve contribution to Insurance of \$0.5 million; offset by:
 - Higher transfers to reserves in Development Engineering of \$1.2 million.

Reserve Contributions & Corporate Expenses – unfavourable variance of \$7.9 million consists of:

- Unbudgeted employee benefits account surplus of \$4.0 million paid out to the City and contributed to reserves.
- Labour gapping budgeted in Corporate but realized in departments of \$3.2 million.
- Higher contributions to reserves due to higher collections of \$0.4 million from the Municipal Accommodation Tax.
- Over-spending in various other expenditures of \$0.4 million.

Attachment 2 provides commentary at the Portfolio/Office level.

Operating Budget Transfers

The Chief Financial Officer/City Treasurer has the delegated authority to approve any administrative operating budget realignments between departments, provided they are fiscally neutral. A summary of these changes is incorporated into the semi-annual reporting process.

In the first half of 2023, there were operating budget transfers between departments totaling over \$4.1 million. The operating budget transfers primarily resulted from relocating budgets (a) from Corporate Contingency to Vaughan Fire and Rescue Service to reflect labour rates in the new collective bargaining agreement; and (b) from the Office of the City Clerk to Council Members Offices as a result of the Council Administrative Review approved by Council in January 2023. The latter transfer provides Council Members with flexibility to organize their offices with a variety of staffing options and complements.

Water, Wastewater, and Stormwater Results

Total revenues for water, wastewater and stormwater billings were \$95.3 million, or 4.4% greater than budget. Total expenses for water, wastewater and stormwater billings were \$78.9 million. This results in a net surplus of \$16.4 million.

Table 5				
\$ million	YTD Budget	YTD Actual	Variance	
			\$	%
Revenues				
Water	34.6	38.1	3.5	10.1%
Wastewater	45.1	46.4	1.3	2.9%
Stormwater	11.6	10.8	(0.9)	-7.3%
Total Revenues	91.3	95.3	4.0	4.4%
Expenses				
Water	31.6	32.7	(1.1)	(3.5%)
Wastewater	43.6	42.5	1.1	2.6%
Stormwater	4.0	3.7	0.4	8.8%
Total Expenses	79.2	78.9	0.4	0.4%
Net Position	12.1	16.4	4.3	35.7%
Note - numbers may not add due to rounding				

- The net sale of water/wastewater was favourable to budget by \$2.9 million. This was driven by favourable water and wastewater revenues to budget by \$4.6 million primarily from higher ICI water consumption, offset by unfavourable water and treatment charges (direct cost) in the amount of (\$1.7 million). The unfavourable

water and treatment charges can be attributed to increased consumption net of lower than anticipated non-revenue water.

- Stormwater revenues are lower than budget by \$0.9 million.
- Expenses outside of water and treatment charges are lower than budget by \$2.1 million due primarily to lower contractor and material expenses as well as vacancy gapping.

Total net favourable variance was \$4.3 million, or 35.7% higher than budgeted.

Capital Budget Results

As of June 30, 2023, there was a total of 653 open capital projects and \$991.4 million of budget remaining. Departments are projected to spend over \$335.3 million on capital projects in 2023. At the end of the second quarter, actual capital spending was approximately \$171.4 million. Actual spending is expected to increase as capital projects progress and full-year capital accounting entries are processed.

Table 6			
Managing Portfolio \$ million	2023 Year-to-Date		
	Total Projects	Planned Spend	YTD Actual
Infrastructure Development	293	260.7	159.9
Planning & Growth Management	69	21.6	3.6
Public Works	177	29.2	2.5
Community Services	24	1.9	0.4
Corporate Services & Chief Financial Officer	21	10.8	2.3
Vaughan Fire & Rescue Service	46	4.8	1.1
Vaughan Public Libraries	9	2.5	0.9
Legal & Administrative Services	7	2.0	0.3
Corporate Communications and Economic Development	2	1.3	0.2
Transformation & Strategy	4	0.6	0.2
Corporate & Strategic Communications	1	0.0	0.0
Total	653	\$ 335.3	\$ 171.4
<small>Note - numbers may not add due to rounding</small>			

The detailed list of active capital projects is included in Attachment 3.

Departments closed 37 projects in the first half of 2023, returning \$4.6 million to Reserves

The following table provides a breakdown of projects closed as of June 30, 2023.

Table 7		
Portfolio	Closed Projects	Returned to Reserve \$ million
Infrastructure Development	25	4.4
Planning & Growth Management	4	0.1
Public Works	3	(0.0)
Community Services	1	0.0
Corporate Services & Chief Financial Officer	1	0.0
Corporate & Strategic Communications	1	0.0
Legal & Administrative Services	1	0.1
Corporate Communications and Economic Development	1	0.0
Total	37	\$ 4.6

A complete list of Closed Projects can be found [online](#).

Capital Transfers Authorized by the Chief Financial Officer/City Treasurer

The Chief Financial Officer/City Treasurer has the delegated authority to approve any operating or capital realignments between departments, provided they are fiscally neutral. A summary of these changes is incorporated into the semi-annual reporting process.

The following authorized capital budget amendments were processed in the first half of 2023:

Table 8		
From	To	Amount
DE-7141-16 Transportation Master Plan	IM-7215-19 Shared Mobility Pilot	95,000
RD-9640-22 Curb& SdWk repairs	RP-6754-15 Parks Concrete Wkwy Repairs	750,000
FL-5360-18 Repl Unit#1843	FL-9591-21 Repl Unit#1845	31,000
FL-9627-22 Skid Steers	FL-6784-20 PKS-Two 4x4 1/2 ton PU Truck	23,000
FL-9581-21 Tactic Walking Plate	FL-9575-20 Vehicle for Tree Protection	12,000
FL-9569-19 Repl Unit#11000,11002,11003	FL-9568-19 Repl Unit#2050	6,000
FL-5426-19 Replace Unit#1373	FL-5562-20 Replace Unit#1344	120,000
FL-5507-22 2Ton Utility Truck Box	FL-5502-20 Additional Air Regenerative Sweeper	10,000
ID-2113-21 2023-2026 Watermain Repl	ID-2046-18 2020 Watermain Replac	1,019,700
FL-5426-19 Replace Unit#1373	FL-5409-21 Replace Unit#1633	80,000
RP-9634-23 Parks Asset Replcmnt	RP-6763-17 Baseball Diamond	20,000
BS-1008-18Modern of sign Permit	BS-1011-19Service Delivery Modernization	26,830
BS-1009-18Mobility & Digital Transfrm	BS-1011-19Service Delivery Modernization	50,727
DP-9553-17 Plan Update –Implications of Growth on Heritage Conservation	DP-9583-23 Update Thornhill HCD Plan	34,598
EN-1990-14 "Railway Crosiing Safety Ass-CW"	FL-9633-22 "Move Smart-Road Safety Program	50,000
RP-7140-20 "Automated Speed Enforcement tehnology Pilot	RP-6767-18 "Road Safety Program:Automated speed Enf	50,000
ID-2081-21 Rd Recons, WM repl	ID-2063-20 Wdbr Ave Impr	3,825,000
ID-2073-20 Pedestrian and Cycling Infr	CD-1980-19 SW and S Light	642,134
BF-8853-23 2023-26 Facilities	BF-8868-22 Woodbridge Library Renovations	112,147
BF-8614-17 Community Centre Common Space	BF-8604-18 Various Community Centres-P	200,000
FR Various Projects	FR-3695-23 I.G. Tanker Freightliner	900,000
RP-9635-23 Cemetery Strat	RP-6764-17 Beautification Str	20,600
BU-2560-20 Bill 108 Related Studies	LI-9555-23 2023 Active Together Master Paln Update)	125,000
PL-9535-13New Community Areas Secondary Plan)	LI-9555-23 2023 Active Together Master Paln Update)	125,000
FI-9595-22 Finance Modernization	SE-0091-19 Workforce Management System	203,070

Continuity Schedule of Reserves and Reserve Funds

Table 9						
Reserve Balances \$ million	Opening Balance	Revenues	Expenses	Closing Balance Before Commitments	Commitments	Closing Balance After Commitments
Obligatory Reserves						
City-Wide Development Charges	545.2	36.8	27.9	554.2	546.3	7.9
Area-Specific Development Charges	19.6	(1.2)	0.0	18.4	68.7	(50.4)
Restricted Grant	28.4	0.5	-	28.9	39.6	(10.6)
Other	238.0	18.5	103.5	153.0	18.9	134.1
Sub-Total	\$ 831.3	\$ 54.6	\$ 131.4	\$ 754.5	\$ 673.4	\$ 81.0
Discretionary Reserves						
Infrastructure Development	254.8	23.5	13.7	264.6	160.6	104.0
Capital from Taxation	23.9	3.5	2.8	24.6	23.1	1.6
Corporate	15.2	0.3	-	15.5	-	15.5
Special Purpose	19.5	1.1	0.2	20.4	12.8	7.6
Sustainability	104.5	7.8	0.8	111.5	0.8	110.7
Sub-Total	\$ 417.9	\$ 36.2	\$ 17.5	\$ 436.6	\$ 197.3	\$ 239.3
Total	\$1,249.2	\$ 90.8	\$ 148.9	\$ 1,191.1	\$ 870.7	\$ 320.4
Note - numbers may not add due to rounding						

At mid-year, the reserve balance before commitments was \$1,191.1 million. Net reserve activity of \$870.7 million is committed against these reserves and reserve funds. After this activity is accounted for, the total reserves and reserve fund balances as of June 30, 2023, was \$320.4 million, of which \$81.0 million was for obligatory reserves and \$239.3 million was in discretionary reserves.

Total Development Charges (DCs) revenues of \$35.6 million is comprised of \$25.3 million in DC collections and \$10.3 million investment income. Collections have slowed significantly in the first half of 2023 due to changing market conditions and higher interest rates. Compared to the same period in 2022, City-wide DC collections have decreased by 72% or \$63.2 million.

The Detailed Reserve Continuity Schedule can be found [online](#).

Financial Impact

The programs discussed in this Fiscal Health Report are funded within the approved 2023 budget. There are no changes to the existing budget and the financial impact of evolving operational decisions will continue to be monitored.

Operational Impact

The Fiscal Health Report is a consolidated effort prepared in consultation with all City departments. Departmental inputs help to identify and estimate the financial impacts of operational changes on the operating and capital budgets.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The report is consistent with the priorities set in the Service Excellence Strategic Plan under Service Excellence and Accountability: Financial Sustainability.

The City's tax and rate based operating results are tracking favourably compared to the budget. However, with uncertainties around economic indicators such as inflation and interest rates, staff will continue to assess the financial impact on the remainder of the fiscal year. Staff will continue to monitor the financial health of the organization, provide advice and guidance to departments, and take steps to mitigate all pressures, including utilizing funding from sustainability reserves and/or senior levels of government as necessary.

The Fiscal Health Report will continue to evolve to ensure it continues to provide relevant information that assists in ensuring the financial sustainability of the City. Consistent with current practices, regular updates advising of changes in the City's financial landscape will be brought forth to Council.

For more information, please contact:

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Attachments

1. City Operating – 2023 Financial Summary
2. Portfolio/Department Commentary
3. City Capital – Capital Project Listing

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