

Committee of the Whole (2) Report

DATE: Tuesday, September 17, 2024

WARD(S): ALL

TITLE: 2024 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, 2024.

Report Highlights

- The City's property tax supported operations ended the second quarter in a favourable position of \$6.6 million (Table 1).
- Combined, the rate supported operations for the second quarter ended in a favourable position of \$0.2 million (Table 1).
- In the first six months of the year, capital expenditures were \$63.2 million (Table 2).
- In the first six months of the year, 74 capital projects were closed and \$3.6 million returned to various originating reserves and reserve funds.

Recommendations

1. That the 2024 Mid-Year Fiscal Health Report as of June 30, 2024, 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, 2024, 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

[2023 Year-End Fiscal Health Report – December 31, 2023](#)

(Item 1, Report No. 20 of the Committee of the Whole, May 22, 2024)

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 \$6.6 million. The favourable variance resulted from higher than budgeted fees and service charges of \$3.7 million, higher than budgeted investment income of \$4.6 million, savings in labour costs and program expenditures of \$5.1 million, offset by lower reserve draws of \$3.5 million due to strong revenue collections, lower than anticipated assessment growth of \$1.5 million, and unbudgeted contributions to reserves of \$1.8 million in Building Standards. *Attachment 1* shows the financial summary by tax-supported operating categories.

Combined, the water, wastewater and stormwater rate-supported operations ended the second quarter in a favourable position of \$0.2 million. The favourable variance resulted from lower expenditures of \$0.6 million, mainly attributed to timing of contract and material spending and vacancies, offset partially by lower revenues of \$0.4 million, primarily from stormwater revenues.

Overall, the rate-supported operations ended the second quarter with a net surplus of \$17 million. Contributions to reserves will be made at year-end based on full-year actual surpluses, if any. These reserve funds are necessary for future infrastructure replacements when these assets approach the end of their useful life.

Operating Results – as of June 30, 2024

Table 1			
\$ million	Budget	Actual	Variance
Property Tax Based Budget			
Revenues	301.3	305.9	4.6
Expenditures	194.3	192.2	2.1
Net Position	\$ 107.0	\$ 113.7	\$ 6.6
Water Rate Based Budget			
Revenues	39.0	39.2	0.2
Expenditures	34.9	34.9	-
Net Position	\$ 4.1	\$ 4.3	\$ 0.2
Wastewater Rate Based Budget			
Revenues	46.4	46.3	(0.1)
Expenditures	42.8	42.7	0.1
Net Position	\$ 3.6	\$ 3.6	\$ -
Stormwater Charge Based Budget			
Revenues	12.6	12.1	(0.5)
Expenditures	3.5	3.0	0.5
Net Position	\$ 9.1	\$ 9.1	\$ -
Note - numbers may not add due to rounding			

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

The 2024 approved Capital Budget included \$216.5 million in capital projects. As of June 30, 2024, after all post-budget capital amendments, there were 680 open capital projects with \$969.6 million of available budget remaining.

Capital Results – as of June 30, 2024

Table 2						
Capital Projects \$ million	Total Projects	2024	Life-to-Date			
		YTD Actual	Total Budget	Total Actuals	Total Variance	% Spent
Open projects	680	\$ 63.0	\$ 1,846.9	\$ 877.4	\$ 969.6	48%
In-Year Closed projects	74	\$ 0.2	\$ 189.4	\$ 185.9	\$ 3.6	98%
TOTAL	754	\$ 63.2	\$ 2,036.4	\$ 1,063.2	\$ 973.1	52%
Note - numbers may not add due to rounding						

Discussion

Operating Budget Results

Total City revenues at mid-year were \$305.9 million or 1.5% higher than budgeted.

\$ million	YTD Budget	YTD Actual	Variance	
			\$	%
Fees and Charges Revenue	31.8	35.5	3.7	11.5%
Corporate Revenues	17.1	24.5	7.4	43.1%
Reserve & Other Transfers	11.9	6.9	(5.0)	(41.7%)
Taxation	240.4	238.9	(1.5)	(0.6%)
Total Revenues	301.3	305.9	4.6	1.5%
Note - numbers may not add due to rounding				

Operating Revenue Variances:

Fees and Charges Revenue – favourable variance of \$3.7 million consists of:

- Higher fee revenues of \$2.2 million in Recreation Services resulting from continuous post-pandemic recovery;
- Higher fees collection of \$4.8 million in Building Standards (BSD), By-law and Compliance, Licensing and Permit Services, as well as other departments;
- partially offset by:
 - Lower fee revenues of \$3.4 million in Development Planning and Development Engineering (DE) reflecting market conditions.

Corporate Revenues – favourable variance of \$7.4 million consists of:

- Higher investment income of \$4.0 million due to interest rate increases introduced by the Bank of Canada in 2023 which continued through the first half of 2024;
- Higher fines & penalties of \$1.5 million due to increased deferral of tax payments;
- Higher sponsorship revenues of \$1.4 million from Mayor's Golf and Gala initiatives;
- Dividends from Alectra declared in the first half of 2024, are favourable by \$0.6 million, reflecting slightly higher than anticipated results for the utility company;
- offset by:
 - Lower MAT revenue collections of \$0.2 million due to lower than anticipated occupancy rates.

Reserve and Other Transfers – unfavourable variance of \$5.0 million consists of:

- No transfers from reserves for BSD (budgeted at \$3.7 million) due to higher collections of fee revenues (as mentioned above);

- Lower than budgeted labour recovery from capital projects of \$1.0 million due to personnel vacancies in various departments;
- Lower than budgeted transfers for Municipal Accommodation Tax (MAT) of \$0.3 million.

Taxation – unfavourable variance of \$1.5 million mainly due to lower assessment growth than anticipated.

Total City expenditures at mid-year were \$192.2 million or 1.1% lower than budgeted.

Table 4				
\$ million	YTD Budget	YTD Actual	Variance	
			\$	%
Departmental	168.3	161.8	6.5	3.9%
Reserve Contribution & Corp Exp	20.1	25.4	(5.4)	(26.8%)
Long Term Debt	4.3	3.3	1.0	23.0%
Contingency	0.0	0.1	(0.1)	-
Capital From Taxation	1.6	1.6	-	-
Total Expenditures	194.3	192.2	2.1	1.1%
Note - numbers may not add due to rounding				

Operating Expenditure Variances:

Departmental – favourable variance of \$6.5 million consists of:

- Savings in labour costs of \$5.0 million due to gapping;
- Savings of \$3.4 million due to lower than budgeted non-labour expenditures, primarily in contractor materials, supplies, and repairs;
- offset by:
 - Higher transfers to reserves in Building Standards of \$1.9 million.

Reserve Contributions & Corporate Expenses – unfavourable variance of \$5.4 million consists of:

- Labour gapping of \$3.3 million budgeted in Corporate but realized in departments;
- Higher contributions to reserves of \$1.4 million mainly resulting from higher sponsorships carried forward from 2023, for the Mayor’s Golf and Gala initiatives;
- Timing differences in the chargeback of \$1.2 million in employee benefits to the various departments;
- offset by:
 - Lower contributions to reserves of \$0.2 million from MAT due to lower collections; and
 - Timing difference in expenditures funded by MAT reserve of \$0.3 million.

Long Term Debt – favourable variance of \$1.0 million is due to principal payments for the YMCA loan guarantee budgeted as operating expenses, but charging actual payments to the liability account (balance sheet). This favourable variance is expected to increase throughout the year and will be adjusted in future budgets.

Contingency – unfavourable variance of \$0.1 million due to payment of snow clearing services for City of Vaughan senior residents.

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 2024, operating budget transfers between departments totalled over \$2.0 million. The operating budget transfers primarily resulted from consolidating Service Vaughan department into the Communication, Marketing and Engagement department to unite Vaughan’s external-facing public information, resident support and business advisory services with its city-wide marketing and communications services.

Water, Wastewater, and Stormwater Results

Total revenues for water, wastewater and stormwater billings were \$97.6 million, or 0.4% unfavourable to budget. Total expenses for water, wastewater and stormwater billings were \$80.6 million, 0.7% favourable to budget. This results in a net surplus of \$17.0 million.

Table 5				
\$ million	Budget	Actual	Variance	
			\$	%
Revenues				
Water	39.0	39.2	0.2	0.5%
Wastewater	46.4	46.3	(0.1)	(0.2%)
Stormwater	12.6	12.1	(0.5)	(4.0%)
Total Revenues	98.0	97.6	(0.4)	(0.4%)
Expenses				
Water	34.9	34.9	-	0.0%
Wastewater	42.8	42.7	0.1	0.2%
Stormwater	3.5	3.0	0.5	14.3%
Total Expenses	81.2	80.6	0.6	0.7%
Net Position	16.8	17.0	0.2	1.2%
Note - numbers may not add due to rounding				

- Expenses outside of water and treatment charges are lower than budget by \$1.5 million due primarily to lower contractor and material expenses as well as vacancy gapping.
- Recovery of expenses from a spill clean up resulted in a one-time revenue of \$0.3M.
- The net sale of water/wastewater was unfavourable to budget by \$1.1 million. This was driven by unfavourable water and treatment charges (direct cost) in the amount of \$1.2 million net of favourable water and wastewater revenues to budget by \$0.1 million. The unfavourable water and treatment charges can be attributed to increased consumption and higher than anticipated year-to-date non-revenue water.
- Stormwater revenues are lower than budget by \$0.5 million.

Total net favourable variance was \$0.2 million, or 1.2% higher than budgeted.

Capital Budget Results

As of June 30, 2024, there were 680 open capital projects with an annual planned spend of \$306.8 million and year-to-date actual spend of \$63.0 million. Table 6 below summarizes the 680 open projects by portfolio and year-to-date variance. Actual spending is expected to increase as capital projects progress in the second half of the year.

Table 6					
Managing Portfolio \$ million	2024 Year-to-Date				
	Total Projects	Planned Spend	YTD Actuals	YTD Variance	% Spent
Infrastructure Development	286	162.8	54.1	108.7	33%
Planning & Growth Management	69	86.2	1.0	85.2	1%
Public Works	208	32.4	3.5	28.9	11%
Community Services	21	1.8	0.3	1.4	19%
Corporate Services & Chief Financial Officer	19	10.9	1.9	9.0	18%
Office Fire & Rescue Services	46	4.2	0.4	3.8	10%
Vaughan Public Libraries	9	4.2	0.9	3.3	22%
Corporate Communications & Economic Development	9	1.8	0.1	1.7	8%
Legal & Administrative Services	9	1.9	0.3	1.5	18%
Program Management Office	4	0.6	0.2	0.4	34%
Total	680	\$ 306.8	\$ 63.0	\$ 243.8	21%
Note - numbers may not add due to rounding					

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

Departments closed 74 projects in the first half of 2024, returning \$3.6 million to Reserves

The following table provides a breakdown of projects closed as of June 30, 2024.

Table 7		
Portfolio	Closed Projects	Returned to Reserve \$ million
Infrastructure Development	33	3.1
Planning & Growth Management	2	0.3
Public Works	35	0.1
Community Services	2	0.1
Corporate Services & Chief Financial Officer	1	-
Program Management Office	1	0.0
Sub-Total	74	\$ 3.6

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 2024:

Table 8		
From	To	Amount
FL-5595-18 Fuel Management System	FL-5318-23 Recreation-Replace Unit#1148	23,300
FL-5427-18 PW-RDS-Replace Unit#1159	FL-5425-18 PW-RDS-Replace Unit#1094	416,908
FL-5401-23 PW-RDS-Replace Unit#1290	FL-5425-18 PW-RDS-Replace Unit#1094	294,168
FL-5429-23 PW-RDS-Replace Unit#1298	FL-5425-18 PW-RDS-Replace Unit#1094	399,228
FL-5428-24 PW-RDS-Replace Unit#1289	FL-5425-18 PW-RDS-Replace Unit#1094	460,000
FL-9591-21 Replace#1845 10 Foot Mower	FL-5425-18 PW-RDS-Replace Unit#1094	127,092
FL-9592-21 Replace #1846 Mower Zero Turn	FL-5425-18 PW-RDS-Replace Unit#1094	22,257
FL-5534-18 PKS Additional Small Equipment	FL-5425-18 PW-RDS-Replace Unit#1094	34,472
FL-9648-22 Replace Unit#13517 Dodge	FL-9649-22 Replace Unit#13518 Dodge	71,896
FL-9668-23 PFHO Replace Unit#8049	FL-9649-22 Replace Unit#13518 Dodge	16,607
FL-9671-23 PFHO Replace Unit#8053	FL-9649-22 Replace Unit#13518 Dodge	16,607
FL-9673-23 PFHO Replace Unit#8056	FL-9649-22 Replace Unit#13518 Dodge	16,607
FL-9676-23 PFHO Replace Unit#8064	FL-9649-22 Replace Unit#13518 Dodge	16,607
FL-9643-22 Replace Unit#8055 Tractor	FL-9647-22 Replace Unit#8063 Tractor	186,135
FL-9644-22 Replace Unit#8057 Tractor	FL-9647-22 Replace Unit#8063 Tractor	186,135
FL-9645-22 Replace Unit#8059 Tractor	FL-9647-22 Replace Unit#8063 Tractor	186,135
FL-9646-22 Replace Unit#8060 Tractor	FL-9647-22 Replace Unit#8063 Tractor	186,135
BF-8600-23 Various CC Ice Resurfacer Re	FL-9647-22 Replace Unit#8063 Tractor	16,362
FL-5360-18 PKS Replace Unit#1843	FL-9647-22 Replace Unit#8063 Tractor	22,477
FL-9569-19 Replace Unit#11000,#11002	FL-9647-22 Replace Unit#8063 Tractor	22,228
FL-9572-21 Replace Unit#1876 Pick Up	FL-9647-22 Replace Unit#8063 Tractor	11,969
FL-9573-21 Replace Unit#1907,#1908	FL-9647-22 Replace Unit#8063 Tractor	2,844
FL-5581-21 Replace #2014 Mower Zero Turn	FL-9647-22 Replace Unit#8063 Tractor	22,260
FL-9584-21 Mid Mount Boom Mower Attachment	FL-9647-22 Replace Unit#8063 Tractor	34,898
FL-9585-21 2 Water Tank with Power washing	FL-9647-22 Replace Unit#8063 Tractor	17,382
FL-9586-21 Poho Replace Unit#8050	FL-9647-22 Replace Unit#8063 Tractor	1,241
RE-9548-23 Implementation of CSO/FAP Policy	RE-9546-23 Recreation User Fee Policy	7,205
PK-6643-20 Parks&Open Space Strategic Plan	LI-9555-23 Long Range Facilities Dev Plan	50,000
FI-0089-22 Water and Wastewater Billing	FI-0090-23 Water Billing Collections & Op	267,442
PK-6597-18 Park Pathway Repair and Replacement	PD-9582-22 Parks Infrastructure Renewal	56,061
PK-6588-19 Playground Replacement Program	PD-9582-22 Parks Infrastructure Renewal	1,026,148
PK-6573-20 Tennis Court Rehab	PD-9582-22 Parks Infrastructure Renewal	1,195,714
PK-6579-20 Basketball Court Improvements	PD-9582-22 Parks Infrastructure Renewal	355,085
PK-6613-21 Parks Pathway Repair and Replaceme	PD-9582-22 Parks Infrastructure Renewal	315,000
PK-6602-19 Vaughan Super Trail Feasibility	PK-6373-19 Vaughan Super Trail Develop	179,409
BF-8854-23 Facilities Services Renewal Program	BF-8842-21 Facility and Energy Renewal	600,000
ID-2113-21 2023 to 2026 Watermain Replacement	ID-2061-19 2021 Watermain Replacement	231,750
ID-2125-22 Huntington Rd-Rutherford Rd Rehab	ID-2060-19 2021 Rd Rehab	1,030,000
RP-2035-15 Curb & SdWIk Repair&Replcmnt	RD-9640-22 Concrete, Interlock repair	251,247
FL-9582-21 Intelock Revitalization	RD-9640-22 Concrete, Interlock repair	38,016
IT-3020-14 Vaughan Online Improvements	FI-0088-22 Exploration/Ass TSM Phase II	100,000

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						
Area Specific Development Charges	18.9	0.9	1.4	18.4	80.6	(62.2)
City-Wide Development Charges	511.0	93.8	37.0	567.8	510.5	57.3
Restricted Grant	42.3	0.9	0.0	43.1	42.3	0.9
Other	158.5	17.4	1.0	174.9	25.5	149.4
Sub-Total	\$ 730.7	\$ 113.0	\$ 39.5	\$ 804.2	\$ 658.8	\$ 145.4
Discretionary Reserves						
Capital from Taxation	20.6	2.0	2.4	20.2	23.3	(3.1)
Corporate	16.1	0.3	-	16.4	-	16.4
Infrastructure	266.8	26.0	6.4	286.4	168.5	117.9
Special Purpose	21.5	1.3	0.3	22.5	13.7	8.8
Sustainability	121.1	2.6	1.5	122.3	0.7	121.6
Sub-Total	\$ 446.1	\$ 32.1	\$ 10.5	\$ 467.8	\$ 206.2	\$ 261.5
Total	\$1,176.9	\$ 145.1	\$ 50.0	\$ 1,272.0	\$ 865.0	\$ 406.9

Note - numbers may not add due to rounding

At mid-year, the reserve balance before commitments was \$1,272.0 million. Commitments against these reserves and reserve funds total \$864.7 million. After this activity is accounted for, the total reserves and reserve fund balances as of June 30, 2024, was \$406.9 million, of which \$145.4 million was for obligatory reserves and \$261.5 million was for discretionary reserves.

Total Development Charges (DCs) revenues of \$94.7 million is comprised of \$84.6 million in DC collections and \$10.1 million investment income. Collections have increased in 2024, compared to 2023 when legislated changes that resulted in discounted DC rates were introduced. Compared to the same period in 2023, City-wide DC collections have increased by 213% or \$57.2 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 2024 budget. There is no financial impact from this report.

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 variances reported on the 2024 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.

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 in the remainder of 2024 and beyond. Staff will continue to monitor the financial health of the organization, provide advice and guidance to departments, and take steps to mitigate all potential pressures.

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. Q2 2024 City Operating Financial Summary
2. Q2 2024 Portfolio/Department Commentary
3. Q2 2024 Capital Project Listing

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