



Staff Report

Finance – Budgets & Accounting

Report To: Committee of the Whole Meeting
Meeting Date: September 27, 2022
Report Number: FAF.22.145
Title: Year-End Analysis
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting & Budgets

A. Recommendations

THAT Council receive Staff Report FAF.22.145, entitled “Year-End Analysis” for information purposes.

B. Overview

At the August 30th Committee of the Whole, Council requested a report that outlines large variances in the revenue streams and expense costs as well as staff forecasted year-end balances.

C. Background

This report does a high-level review of the major revenue streams and expense categories; in addition, the report looks at other important financial indicators such as Development Charges collected, Capital Spending versus Amortization and some analysis around the Town’s new efleet program.

In the Financial Impact section, a forecasted year-end balance has been included for taxation and the user-fees (Water, Wastewater, Harbour, Building, Development Engineering, and Licensing). With this are some mitigating steps that staff are taking as well as potentially funding sources. In addition, staff have included some impacts on the 2023 budget and tax levy, mostly from the need to reduce some revenue stream budgets.

D. Analysis

Chart 1 gives a quick snapshot of these major expense categories and where they are trending towards for year-end. Chart 2 breakdowns the legal costs into the individual OLT matters and the other divisional legal expenses.

Chart 1. Expenses -Taxation and User-Fees

Expense	Approved Budget	Forecast	% of Budget
Salaries and Benefits	\$17,229,670	\$16,400,000	95%
Vehicle Expense Costs	\$456,830	\$660,000	144%
Legal	\$230,260	\$408,000	177%
Garbage Collection	\$427,646	\$410,000	96%
Recycling/Organics Collection	\$1,045,855	\$990,000	95%
Hydro	\$801,693	\$960,000	120%
Collingwood Water Taking	\$140,000	\$170,000	121%

The Town's largest expense is salaries and benefits which is trending under-budget for the year, the main driver behind that is staff gapping however some positions were not filled in 2022 such as the By-law summer student positions.

Vehicle expenses are continuing to trend over-budget with the driver behind this being gas and diesel costs. Fuel prices are starting to come down however staff are expecting that this expense will need to a significant increase for the 2023 budget.

Legal expenses will end the year well over-budget this is due to several Ontario Land Tribunal (OLT) hearings. Of the \$324,000 spend to date 60% of that is for the OLT hearings, followed by integrity commissioner costs. Staff will be monitoring this expense and the number of potential OLT hearings for the 2023 budget.

The Town's waste collection costs (garbage, recycling, and organics) are forecasting to end the year on budget if not slightly below.

The forecasted over-runs to Hydro and the Collingwood Water Taking are both driven by growth, the Town is seeing more water and wastewater consumption and therefore is having to treat and purchase (water only) more cubic meters of water and wastewater.

Overall staff are expecting expenses to end the year close to the 2022 budget.

Chart 2. Legal Expenses

Legal Matter	Cost
<i>Appeals to the OLT</i>	
Eden Oak	\$2,439
Tabera	\$3,648
Zoning By-law Amendment regarding Short Term Accommodation By-law	\$10,431
Development Charges Appeal	\$11,145
Windfall Phase 6	\$18,073
207484 Highway 26	\$31,969
Abbotts	\$80,100
Appeal of Abbotts Decision	\$31,430
<i>Other Legal Matters</i>	
Human Resources	\$2,744
Wastewater	\$27,384
Building	\$28,812
Miscellaneous	\$31,248
Integrity Commissioner	\$45,019
Total Legal Costs to Date	\$324,442

Chart 3 looks at the Town's main revenue streams and compares the year-end forecasted balance to the approved 2022 budget. Staff have included, for reference, the proposed 2022 budgets; a revenue budget can increase/decrease between the proposed and approved budget if an addition to the budget is approved, or a fee/charge is changed, or at the direction of Council.

Chart 4 is a detailed breakdown by parking lot of the 2022 approved budget versus the forecasted year-end revenue projections.

Chart 3. Revenues

Stream	Proposed Budget	Approved Budget	Forecast	% of Budget
<i>User-Fee Division</i>				
Development Engineering	\$900,000	\$1,192,994	\$541,000	45%
Harbour	\$681,000	\$681,000	\$702,000	103%
Water User-Fees	\$4,277,019	\$4,277,019	\$4,500,000	105%
Wastewater User-Fees	\$3,314,902	\$3,314,903	\$3,560,000	107%
Building	\$1,029,890	\$1,075,606	\$1,360,000	126%
Licensing (Short-Term)	\$270,000	\$370,042	\$525,000	142%
<i>Taxation Division</i>				
Fire	\$128,500	\$191,850	\$104,000	54%
By-law	\$267,500	\$372,000	\$259,000	70%
Supplemental Taxes	\$950,000	\$950,000	\$700,000	74%
Investment Income	\$240,000	\$240,000	\$214,000	89%
BVCC	\$262,692	\$173,920	\$156,000	90%
Planning	\$382,275	\$632,275	\$574,000	91%
Landfill Tipping Fees	\$420,000	\$448,000	\$439,000	98%
Penalty and Interest	\$390,000	\$390,000	\$387,000	99%
Tomahawk Green Fees	\$168,133	\$168,133	\$186,000	111%

Under the user-fees divisions the only division not forecasting to meet or exceed the revenue budget is Development Engineering. There are several agreements in the works but very few have been executed this year, it is hard for staff to predict if this will change especially given the cooling off of the real estate market.

Building and Licensing (Short-Term Accommodation) are forecasting to end the year over-budget. However, Building is forecasting to end the year below the previous years which may be another indicator of the market cooling off. Licensing has a new application process with the

bulk of the application being processed in year one (2022), and fewer in year two (2023); this means that the surplus generated in year one will need to offset the deficit in year two. At this point staff believe that this program is in a good position.

On the taxation side Fire is projecting to end the year at half of revenues; at this time staff are still working with the Fire Marque to try and generate revenues to help offset the costs of the two structure fires that the Town has had this year.

The 2022 budget included revenue of \$950,000 for supplementary/omitted assessment. The Town is forecasting that we will receive approximately \$700,000 and will therefore be short \$250,000 at year end. Staff have billed \$468,346 up to the end of August. This includes 278 properties billed, with 46 properties with an effective date back to 2020 tax year, 118 to the 2021 tax year and 114 with effective dates in 2022. Staff continue to work with MPAC to ensure we are receiving timely information for new construction. Residents are very frustrated with receiving 3 years of taxes on new construction and staff understand, however it is completely out of the Town's control.

By-law revenues were increase in the approved budget as two summer student positions were approved if they could be revenue neutral. Staff made the decision earlier in 2022 to not fill those positions and therefore have saved on the salaries and benefits and other costs of this positions. Comparing the forecasted year-end balance to the proposed budget and this revenue stream is expected to end the year at 97%.

The Town is starting to see a boost in investment income as interest rates start to rebound; the Town's interest rate has increase almost 400% since January 2022. The forecasted ending balance has been estimated using the Town's current rate, if interest rates continue to increase staff are expecting to end the year closer to the approved budget. In addition, staff have made a process change to paying large construction invoices which will see the funds stay in the Town's account for a longer period and therefore generating more interest revenue.

The other major taxation division revenues are forecasting to end 2022 within the 10%+/- range aside from Tomahawk which has seen another good year in membership and green fees revenues.

Chart 4. Paid Parking

Lot	Actuals	Projections	Total Revenues	Budget	% of Budget
Northwinds Beach	\$109,995	\$19,610	\$129,605	\$191,000	68%
Lora Bay Park	\$4,905	\$880	\$5,785	\$18,850	31%
Peasemarsch Beach	\$24,295	\$4,330	\$28,625	\$52,150	55%
Tomahawk	\$25	\$10	\$35	\$550	5%

Loree Forest Trailhead	\$5,040	\$900	\$5,940	\$105,000	6%
Little River Park	\$5,285	\$940	\$6,225	\$38,000	16%
Bayview Park	\$3,745	\$670	\$4,415	\$100	4411%
Council Beach	\$5,740	\$1,030	\$6,770	\$5,400	125%
Delphi Park	\$22,660	\$4,040	\$26,700	\$17,550	152%
Heathcote Park	\$180	\$40	\$220	\$300	71%
Town Hall	\$2,010	\$360	\$2,370	\$76,000	3%
15/17 Arthur Street	\$90	\$20	\$110	\$95,100	0%
Total	\$183,970	\$32,830	\$216,800	\$600,000	36%

- Some of the smaller lots did very well and are projected to end the year over-budget on collections (Bayview Park, Council Beach, and Delphi Park)
- Four lots are projecting to end the year well under-budget including Northwinds Beach, Loree Forest Trailhead, Little River Park, and 15/17 Arthur Street
 - Northwinds Beach is by far the largest revenue generating lot however will fall short of budget by \$60,000
 - Little River Park saw parking lot closures due to construction of a new washroom facility
 - Loree Forest Trailhead is a popular spot however the revenues and enforcement efforts suggest that the majority of the vehicles are residents
 - 15/17 Arthur Street is a new lot which has not seen the revenues staff were projecting however as more non-residents learn of the location of the lot staff are expecting to see revenues increases

Development Charges

Chart 5 looks at the units the Town forecasted to collect in 2022 versus the actual units collected as of August 31, 222. This is another indicator that shows that the real estate market is seeing a slowdown.

Chart 5. Development Charges

	Units Forecasted	Units Collected	% of Forecast
<i>Soft Development Charges</i>			
General Government	242	135	56%

Fire and Rescue	242	135	56%
Police	242	135	56%
Parking & By-Law	242	135	56%
Public Works	242	135	56%
Solid Waste	242	135	56%
Parks & Recreation	242	135	56%
Library	242	135	56%
<i>Hard Development Charges</i>			
Roads and Related	242	51	21%
Thornbury East Water	5	0	0%
Thornbury West Water	7	6	86%
Water Treatment/Supply	242	51	21%
Clarksburg Water	0	0	0%
Craigleith Water	190	13	7%
Osler Water	0	0	0%
Camperdown Water	21	32	152%
Lora Bay Water	19	0	0%
Thornbury West Sewer	7	6	86%
Thornbury East Sewer	5	0	0%
Camperdown Sewer	21	32	152%
Lora Bay Sewer	19	0	0%
Craigleith Sewer	190	13	7%
Clarksburg Sewer	0	0	0%
Osler Sewer	0	0	0%
Castle Glen Sewer	0	0	0%

Thornbury Sewer Treatment	52	37	71%
Craighleith Sewer Treatment	190	14	7%

- DCs are extremely difficult to predict collections as it is based on the real estate market which has seen large swings in recent years
- Under a subdivision agreement Hard DCs are collected at the time of signing of the agreement whereas the Soft DCs are collected at the time of building permit
- The Town doesn't formally budget DC collection rather forecasts the collections from the growth projections included in the Development Charges Background Study
 - The 2022 growth projections included 150 hotel units; these units are expected to be collected in late 2022/early 2023

Chart 6 is looking at the estimates for three capital projects to compare the costs between the 2019 Development Charges Background Study (DCBS) and the current staff estimate of these costs. The 2019 DCBS was built using 2018 benchmark costs with the Development Charges being index each year on January 1st. The indexing rates used were 2020 – 3.3%, 2021 – 2.3%, 2022 – 11.6%.

The three projects identified by Council were the upgrades being made to the Mill Street Pumping Station, upgrades to the Craighleith Pumping Station, and the additional forcemain which will connect Mill Street to the Thornbury Wastewater Treatment Plant.

Chart 6. Development Charges Capital Program

Project	2019 DCBS Cost Estimate	Indexed DCBS Cost Estimate	Staff Estimate - Growth Portion ¹
Mill Street Sewage Pumping Station	\$1,148,100	\$1,354,000	\$2,105,000
Craighleith Sewage Pumping Station	\$1,061,325	\$1,251,000	\$3,400,000
Wastewater Forcemain	\$811,013	\$956,000	\$3,100,000

¹The estimate is based on initial scope and will be more refined through the engineering design, this estimate is also for the growth-related portions only. For more information on these projects see staff report CSOPS.22.041 Growth Related Budget Transfer – Wastewater Collection System.

The 2019 DCBS was written in a very different construction cost world compared to today, most construction prices have seen double if not triple percent increases over the past 12 months. Taking this into account staff started the DCBS update a year early and included a task in the RFP to have a third-party engineer look at all benchmark costs.

Capital Spending

Chart 6 has been included at the request of Council. This chart looks at the past eight years, with a projection for 2022, comparing capital spending versus annual amortization. The Provincial government has a target for municipalities of 90% spending versus amortization, meaning the Town should spend \$0.90 on capital versus amortization.

Over the past eight years the Town has only not met this goal in two years.; however, there has been a substantial and consistent growth in the amount of capital spending since 2019 and this expected to last for the next eight to ten years.

Chart 7. Capital Spending versus Amortization

	Amortization	Capital Spending	Provincial Goal
2022 -Projection	\$7,500,000	\$15,500,000	167%
2021	\$7,096,571	\$23,463,644	331%
2020	\$6,744,253	\$10,612,266	157%
2019	\$6,613,306	\$16,161,825	244%
2018	\$6,453,196	\$6,015,705	93%
2017	\$6,315,010	\$5,252,578	83%
2016	\$6,215,078	\$4,808,641	77%
2015	\$5,968,982	\$9,118,092	153%

Vehicle Leasing Program

In 2022 the Town entered into a vehicle lease to own program (Efleet) for the light duty vehicles. At the request of Council staff have included some stats around the program which formally started in March of 2022.

- Number of vehicles in the program - 29
- Number of Town owned vehicles – 21 (staff are continuing to move more vehicles into the program)
- No increase to the number of Town fleet
- Average monthly cost/vehicle (excluding fuel)- \$1,088

- Budgeted Net Cost - \$25,000 (trending on budget)
- Benefits of the program
 - Reduced maintenance costs and vehicle downtime
 - Reduced emissions
 - Fleet Flexibility (ability to increase and decrease fleet numbers depending on seasonal requirements)
 - Potential to permanently reduce fleet size

The Efleet program is still a new endeavor for the Town; however, it has been successful, and staff are expecting this to continue.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

F. Environmental Impacts

N/A

G. Financial Impacts

Below are year-end impacts with potential impacts on the 2023 budget.

- Taxation - \$350,000 deficit
 - Staff are forecasting a deficit for the Taxation Divisions, this deficit will be funded from different reserve and reserve funds, such as, Working Capital or Legal Reserve
 - Staff are forecasting that a tax rate up of to 10% could be required for 2023, as the Town is estimating increases to expenses, decreases to revenues, and increases to transfer to reserve funds for capital requirements
- Water - \$50,000 deficit
 - Staff are forecasting a small deficit for the Water Division which will be funded from the Water Rate Stabilization Reserve

- In mid-2020 the Town decrease water rates by 5%, staff are forecasting that the rates need to be increase back up to pre-pandemic levels to help offset the expected increase in some expenses (fuel and hydro)
- Wastewater - \$50,000 surplus
 - Staff are forecasting a small surplus for the Wastewater Division which will be transferred into the Wastewater Rate Stabilization Reserve
 - Staff are estimating that a 2 to 3% increase will be required in the wastewater rates to offset the expected cost increases, similar to Water
- Building - \$50,000 surplus
 - Staff are forecasting a small surplus for the Building Division which will be transferred into the Building Rate Stabilization Reserve Fund
 - Staff are not forecasting any changes to the building rates
- Harbour - \$50,000 surplus
 - Staff are forecasting a surplus of \$50,000 for the Harbour Division which will be transferred into the Harbour Reserve
 - The draft Harbour Financial Plan included a \$2/foot increase to mooring fees for 2023, staff will revisit this increase to see if it is warranted
- Licensing - \$250,000 surplus
 - Staff are expecting a significant surplus for the Licensing Division which will be kept in Deferred Revenue for 2023
 - This size of a surplus is not unexpected as 2022 is year one of the two-year application cycle which has the majority of revenue collections. The 2022 surplus will be required to fund a 2023 deficit
- Development Engineering - \$300,000 deficit
 - Staff are forecast a significant deficit for the Development Engineering Division which will be funded from Engineering Works Fees Deferred Revenues
 - Through the Fees Review, increase may be warranted for Development Engineering and potentially some taxation funding as well

Please note that the numbers included in this report have not been audited and are forecasts based on staff's knowledge at this time.

H. In Consultation With

Senior Management Team

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets, sdinsmore@thebluemountains.ca

J. Attached

None

Respectfully submitted,

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Ruth Prince
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For more information, please contact:
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Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

Ruth Prince - Sep 13, 2022 - 9:15 AM