

REPORT

Council

Meeting Date: April 25, 2022

FROM: Finance Department

DATE: April 19, 2022

SUBJECT: 2021 Financial Results and Surplus Disposition

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the staff report dated April 19, 2022, entitled *2021 Financial Results and Surplus Disposition* from the Finance department, be received.
2. That the transfers to and from the Reserves and Reserve Funds and transactions contained in the report dated April 19, 2022 from the Finance department be approved.
3. That the \$11.15 million surplus be transferred to the General Capital Reserve.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Financial Results report presents the town's financial activities from January 1, 2021 to December 31, 2021.
- The total town variance after reserve transfers is \$11.15 million favourable or 5.2% of the tax levy. Safe Restart Agreement funding from the province along with town mitigation efforts due to reduced programming and services resulted in cost savings, primarily in personnel services and benefits, which offset the impact from the COVID-19 pandemic.
- Total capital expenditures of \$59.6 million have been incurred in this period.
- A total of 70 capital projects have been identified for closure this period resulting in \$3.92 million being returned to reserves and reserve funds.
- A total of 22 tendered contracts and 2 single source awards in excess of \$100,000 were awarded during this period.
- Inflation accelerated in the second half of 2021 and beginning of 2022 due to widespread supply chain issues stemming from the pandemic. This elevated inflationary environment is expected to continue, as the geopolitical conflict in eastern Europe has created additional uncertainty, pushing up prices for

energy and commodities, and introducing new constraints on supply chains. It is expected that this will result in financial pressure for the town's operating and capital budgets in 2022.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2021 to December 31, 2021 and covers all financial matters including: operating budget, capital budget, reserve and reserve fund balances, investment and trust funds, and purchasing activities. Based on the unaudited financial results, the majority of town programs have a favourable variance. This is primarily due to savings in personnel costs, though savings have been recognized in a number of other areas as well; together, these offset revenue losses due to the COVID-19 pandemic.

COMMENT/OPTIONS:

OPERATING BUDGET

Based on the December 31st results, the total town variance, after policy related and recommended reserve transfers, is \$11.15 million favourable or 5.2% of the tax levy.

	2021	2021	2021
(\$ Millions)	Annual	Year-end	Variance to
	Budget	Actuals	Budget (\$)
Emergency Services	40.45	41.56	(1.11)
Road Network	25.83	23.78	2.05
Oakville Transit	28.17	21.88	6.29
Recreation and Culture	21.98	19.90	2.08
Parks and Open Spaces (incl. Cemetery and Harbours)	19.30	18.37	0.93
Oakville Public Library	10.21	9.87	0.35
Community Development	3.01	(0.44)	3.45
Political Governance	3.79	3.59	0.20
Municipal Enforcement (incl. Parking)	2.81	3.11	(0.30)
Corporate Support Services	32.94	30.46	2.48
Total Program Variance	\$ 188.49	\$ 172.08	\$ 16.42
Corporate Hearings & Litigation	0.50	1.63	(1.13)
Corporate Revenue & Expenses	(188.99)	(190.45)	1.46
Town Variance before transfers	\$ -	\$ (16.75)	\$ 16.75
Policy Related and Recommended Transfers for Programs:			
Transfer (to)/from Storm Event Reserve			(0.66)
Transfer Oakville Public Library surplus (to)/from Tax Stabilization Reserve			(0.35)
Transfer (to)/from Building Enterprise Reserve			(4.07)
Transfer (to)/from Cemetery Reserve			(0.03)
Transfer (to)/from Harbours Reserve fund			(0.47)
Transfer (to)/from Parking Reserve fund			not recommended
Transfer (to)/from Election Reserve			(0.02)
Total Town Variance after transfers			\$ 11.15

As shown above, the total Program variance is \$16.42 million favourable and more information on these program variances can be found below. Corporate Hearings and Litigation has an unfavourable variance of \$1.13 million due to costs for the Glen Abbey hearing. Corporate Revenue and Expenses has a favourable variance of \$1.46 million. This is primarily due to higher revenue from supplementary taxes and payments-in-lieu of taxes (\$3.40 million) as well as the General Safe Restart Agreement (SRA) funding from the province with \$1.89 million received for Phase 2 and \$2.85 million received for Phase 3. The funding from the province has reduced the need for the town to utilize the \$4.54 million in budgeted Tax Stabilization funding. The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$16.75 million favourable.

Reserve transfers

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve resulting in a transfer to the reserve of \$4.07 million. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election to their own program specific reserves. Town staff are recommending that surpluses in Cemeteries, Harbours and Election be transferred to their respective reserves and reserve funds as normal at year-end. Parking was impacted by the COVID-19 pandemic and experienced a deficit of \$0.11 million. Town staff are recommending that the transfer from the Parking reserve fund to cover the shortfall not occur in 2021 given the impact of the pandemic and the town's overall surplus which is similar to the approach taken with the Parking deficit in 2020. Town staff are also recommending that the savings in winter control be transferred to the Storm Event reserve and the surplus for the Oakville Public Library be transferred to the Tax Stabilization reserve. After all policy related and recommended transfers, the total town variance after transfers is \$11.15 million favourable.

Usual practice would be to recommend that the surplus be transferred to the Tax Stabilization Reserve; however, the balance in this reserve is very healthy (\$64.8 million) and above the GFOA recommended levels. Therefore, town staff are recommending that the surplus be transferred to the General Capital Reserve given the size of the capital program and inflation risk. The 2022 capital program of \$276.3 million and ten year capital forecast of \$1.6 billion are substantial. Furthermore, inflation accelerated in the second half of 2021 and beginning of 2022 due to widespread supply chain issues stemming from the pandemic. This elevated inflationary environment is expected to continue as the geopolitical conflict in eastern Europe has created additional uncertainty and introduced new constraints on supply chains resulting in financial pressure for the town in 2022. The recommendation to transfer the surplus to the General Capital Reserve will ensure that our capital program remains strong.

COVID-19 Impact

The impact of the pandemic on the town's operations and the response undertaken by the town has impacted the programs in different ways. The total estimated COVID-19 impact is \$9.53 million with \$7.17 million due to revenue loss and \$2.36 million due to additional costs. The \$0.70 million variance for Transit is for transit fares only, not including Transit SRA funding, based on a 2021 external revenues budget of \$4.47 million which was reduced substantially from a 2020 budget of \$9.29 million. The additional costs include personnel services for officers to assist with COVID-19 enforcement in the community, redeployment of Recreation staff to assist with Parks maintenance due to a significant increase in visitors to parks, overtime in Emergency Services as well as materials, supplies and purchased services to address COVID-19 related concerns.

COVID-19 Impact (\$ Millions)	2021 Variance to Budget
Revenue Loss	
Recreation and Culture	(5.82)
Transit	(0.70)
Parking	(0.56)
Other Programs	(0.09)
Total Revenue Loss	\$ (7.17)
Additional Costs	
Personnel Services and Benefits	(1.59)
Materials and Supplies	(0.11)
Purchased Services	(0.66)
Total Additional Costs	\$ (2.36)
Total estimated COVID-19 Impact at year-end	\$ (9.53)

Program Variance

Mitigation efforts continued throughout the year and savings in expenditures were realized to offset the impact from the pandemic. Despite the total estimated COVID-19 impact, the total Program variance is \$16.42 million favourable. The most significant variances to budget by expense and revenue type are discussed below.

(\$ Millions)	2021 Annual Budget	2021 Year-end Actuals	2021 Variance to Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	166.22	155.27	10.94
MATERIALS & SUPPLIES	22.73	21.35	1.38
CAPITAL OUT OF OPERATIONS	0.30	0.35	(0.05)
PURCHASED SERVICES	35.32	33.09	2.23
PAYMENTS & GRANTS	5.52	4.48	1.03
INTERNAL EXPENSES & TRANSFERS	36.56	37.13	(0.57)
Total EXPENSES	266.65	251.68	\$ 14.97
REVENUES			
EXTERNAL REVENUES	(54.68)	(57.67)	2.99
INTERNAL RECOVERY & FUND TRSFS	(23.47)	(21.93)	(1.55)
Total REVENUES	(78.16)	(79.60)	\$ 1.44
Total Programs	188.49	172.08	\$ 16.42

Personnel Services & Benefits - \$10.94 million favourable. These savings are higher than normal, mainly in Recreation & Culture and Transit, due to reduced programming and services during the year as well as in Infrastructure Maintenance for the traffic crossing guards program. Also, the town continued to mitigate the COVID-19 impact of revenue loss and additional costs by keeping positions vacant and only filling critical positions.

Materials & Supplies - \$1.38 million favourable. These savings are primarily attributed to utilities mainly in Recreation and Culture due to the closure of various facilities and reduced programming as well as savings on fuel and vehicle parts in Transit due to reduced services.

Purchased Services - \$2.23 million favourable. These savings are primarily attributed to instructor and performer fees and programming costs in Recreation and Culture due to reduced programming throughout the year. Also, demand for specialized Transit service was lower than normal resulting in savings on taxis.

Payments & Grants - \$1.03 million favourable. These savings are due to reduced Presto fees and bank service fees given the reduced number of payment transactions. Also, reduced programming in Recreation and Culture has resulted in favourable variances in the fee assistance program as well as the reciprocal agreement with the school boards.

External Revenue - \$2.99 million favourable. Although revenue loss due to COVID-19 is estimated to be \$7.17 million as discussed in the previous section, some programs experienced higher revenues primarily due to permit revenues in Building Services, Safe Restart Agreement funding in Transit, additional recoveries for work completed for Halton Region, unbudgeted grants in Municipal Enforcement, and higher sports field rental revenues as well as unbudgeted grants in Parks.

Internal Recovery & Fund Transfers - \$1.55 million unfavourable. This is primarily due to transfers from the Tax Stabilization reserve which were not required given the overall surplus. Also contributing to the variance are lower recoveries for equipment usage which are offset by lower internal charges as well as lower recoveries of staff time from capital projects given efforts to keep positions vacant as well as fewer capital projects this year.

The most significant variances to budget by program area are discussed below. Appendix A provides more detail of the variance by program area.

Recreation and Culture - \$2.08 million favourable

The variance is primarily due to \$4.65 million in personnel savings given reduced programming and keeping positions vacant in order to mitigate the impact of the pandemic. Savings in materials and supplies (\$1.38 million) and purchased services (\$0.91 million) are due to savings on utilities as well as instructor and

performer fees and other costs given the closure of facilities and reduced programming during the year which also resulted in revenue loss of \$5.62 million.

	2021	2021	2021
(\$ Millions)	Annual	Year-end	Variance to
	Budget	Actuals	Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	21.21	16.56	4.65
MATERIALS & SUPPLIES	5.04	3.67	1.38
CAPITAL OUT OF OPERATIONS	0.07	0.05	0.01
PURCHASED SERVICES	3.95	3.04	0.91
PAYMENTS & GRANTS	1.35	0.64	0.70
INTERNAL EXPENSES & TRANSFERS	4.49	4.14	0.35
Total EXPENSES	\$ 36.10	\$ 28.11	\$ 8.00
REVENUES			
EXTERNAL REVENUES	(13.63)	(8.01)	(5.62)
INTERNAL RECOVERY & FUND TRSFs	(0.50)	(0.20)	(0.30)
Total REVENUES	\$ (14.13)	\$ (8.20)	\$ (5.92)
Total Recreation and Culture	\$ 21.98	\$ 19.90	\$ 2.08

Oakville Transit - \$6.29 million favourable

The variance is primarily as a result of Safe Restart Agreement (SRA) funding to offset COVID impacts and cost saving measures designed to offset the reduction in ridership and associated loss of revenue from fares. While the 2021 budget accounted for anticipated COVID impacts, the ongoing pandemic and extended provincial lockdown resulted in a further transit revenue shortfall of \$0.70 million beyond these planned reductions. Transit staff implemented additional service level changes that effectively mitigated this shortfall. These savings were realized in personnel services, Presto fare settlement fees, motor vehicle parts, tires, lubricants and fuel as well as savings from taxi usage for specialized transit trips. Ridership continued to be impacted by the pandemic and was below target. However, recent weekly reports display a slow but steady upward trend.

The town recognized a total of \$3.98 million in SRA funding (\$0.65 million for Phase 2, \$2.38 million for Phase 3 and a \$0.95 million top-up payment) from the Provincial government in 2021 to support with COVID-19 municipal transit pressures which is captured under external revenues in the table below.

(\$ Millions)	2021	2021	2021
	Annual	Year-end	Variance to
	Budget	Actuals	Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	21.00	19.39	1.61
MATERIALS & SUPPLIES	4.56	3.84	0.72
CAPITAL OUT OF OPERATIONS	0.01	0.01	(0.00)
PURCHASED SERVICES	3.61	2.96	0.65
PAYMENTS & GRANTS	0.91	0.76	0.15
INTERNAL EXPENSES & TRANSFERS	4.66	4.65	0.01
Total EXPENSES	\$ 34.73	\$ 31.60	\$ 3.13
REVENUES			
EXTERNAL REVENUES	(4.47)	(7.72)	3.25
INTERNAL RECOVERY & FUND TRSFS	(2.10)	(2.00)	(0.10)
Total REVENUES	\$ (6.57)	\$ (9.72)	\$ 3.15
Total Oakville Transit	\$ 28.17	\$ 21.88	\$ 6.29

Road Network - \$2.05 million favourable

The variance is primarily due to personnel savings for various vacancies and the traffic crossing guards program. This is partially offset by lower recoveries for equipment usage as well as lower recoveries of staff time from capital projects given efforts to keep positions vacant as well as fewer capital projects this year. The unfavourable variance in materials and supplies is related to work being done for the Region which is fully recoverable and reflected in external revenues.

(\$ Millions)	2021	2021	2021
	Annual	Year-end	Variance to
	Budget	Actuals	Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	15.98	14.04	1.94
MATERIALS & SUPPLIES	6.51	7.31	(0.80)
CAPITAL OUT OF OPERATIONS	0.09	0.09	0.00
PURCHASED SERVICES	9.63	9.10	0.53
PAYMENTS & GRANTS	1.35	1.38	(0.03)
INTERNAL EXPENSES & TRANSFERS	7.22	7.13	0.09
Total EXPENSES	\$ 40.79	\$ 39.07	\$ 1.73
REVENUES			
EXTERNAL REVENUES	(5.12)	(6.39)	1.27
INTERNAL RECOVERY & FUND TRSFS	(9.84)	(8.90)	(0.94)
Total REVENUES	\$ (14.96)	\$ (15.29)	\$ 0.33
Total Road Network	\$ 25.83	\$ 23.78	\$ 2.05

Community Development - \$3.45 million favourable

The variance is primarily due to higher permit revenues in Building Services and personnel savings for various vacancies. Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve resulting in a transfer to the reserve of \$4.07 million.

(\$ Millions)	2021 Annual Budget	2021 Year-end Actuals	2021 Variance to Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	14.41	13.32	1.08
MATERIALS & SUPPLIES	0.08	0.06	0.02
CAPITAL OUT OF OPERATIONS	0.01	0.00	0.01
PURCHASED SERVICES	0.51	0.39	0.12
PAYMENTS & GRANTS	0.11	0.10	0.01
INTERNAL EXPENSES & TRANSFERS	8.07	8.06	0.00
Total EXPENSES	\$ 23.18	\$ 21.93	\$ 1.25
REVENUES			
EXTERNAL REVENUES	(17.16)	(19.82)	2.67
INTERNAL RECOVERY & FUND TRSFS	(3.01)	(2.55)	(0.46)
Total REVENUES	\$ (20.17)	\$ (22.37)	\$ 2.21
Total Community Development	\$ 3.01	\$ (0.44)	\$ 3.45

Corporate Support Services - \$2.48 million favourable

The variance is primarily due to \$2.71 million in personnel savings for various vacancies as positions have been left vacant to mitigate the impact of the pandemic. This is partially offset by Internal Recovery and Fund Transfers due to Tax Stabilization funding which was not required in 2021 given the overall surplus and lower recoveries of staff time from capital projects given efforts to keep various positions vacant and fewer capital projects this year.

(\$ Millions)	2021 Annual Budget	2021 Year-end Actuals	2021 Variance to Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	27.93	25.22	2.71
MATERIALS & SUPPLIES	1.09	1.01	0.08
CAPITAL OUT OF OPERATIONS	0.03	0.03	0.00
PURCHASED SERVICES	8.31	7.98	0.33
PAYMENTS & GRANTS	0.42	0.43	(0.01)
INTERNAL EXPENSES & TRANSFERS	0.34	0.41	(0.07)
Total EXPENSES	\$ 38.11	\$ 35.07	\$ 3.04
REVENUES			
EXTERNAL REVENUES	(1.86)	(2.32)	0.46
INTERNAL RECOVERY & FUND TRSFS	(3.31)	(2.28)	(1.02)
Total REVENUES	\$ (5.17)	\$ (4.61)	\$ (0.56)
Total Corporate Support Services	\$ 32.94	\$ 30.46	\$ 2.48

Emergency Services - \$1.11 million unfavourable

The variance is primarily due to \$0.91 million in additional overtime incurred, primarily in November and December, due to the COVID-19 pandemic.

(\$ Millions)	2021 Annual Budget	2021 Year-end Actuals	2021 Variance to Budget (\$)
EXPENSES			
PERSONNEL SERVICES & BENEFITS	36.30	37.16	(0.87)
MATERIALS & SUPPLIES	0.74	0.85	(0.11)
CAPITAL OUT OF OPERATIONS	0.01	0.02	(0.01)
PURCHASED SERVICES	1.83	1.86	(0.03)
PAYMENTS & GRANTS	0.05	0.04	0.01
INTERNAL EXPENSES & TRANSFERS	2.07	2.11	(0.04)
Total EXPENSES	\$ 40.99	\$ 42.04	\$ (1.05)
REVENUES			
EXTERNAL REVENUES	(0.51)	(0.44)	(0.07)
INTERNAL RECOVERY & FUND TRSFS	(0.03)	(0.04)	0.01
Total REVENUES	\$ (0.54)	\$ (0.48)	\$ (0.06)
Total Emergency Services	\$ 40.45	\$ 41.56	\$ (1.11)

2022 Update on Minimum Wage

It should also be noted that on November 2, 2021, the Provincial Government announced that minimum wage would increase from \$14.25 to \$15.00 per hour effective January 1, 2022. In order to maintain the integrity of our part-time wage grid, mitigate compression and ensure that we remain competitive in attracting candidates, a 3.8% adjustment (or \$375,400 total cost) was applied to the part-time wage grid for 2022. The lowest rate on the part-time wage grid is \$15.27 per hour. Given the timing of the province's announcement and town's budget process, the total cost was not reflected in the 2022 budget resulting in an impact of \$265,600 which staff will monitor alongside mitigation efforts due to the COVID-19 pandemic. The 2023 budget will be adjusted to reflect this impact.

CAPITAL BUDGET

For active projects in this period, the total cumulative approved capital budget is \$457.5 million with total expenditures of \$59.6 million bringing the total life-to-date or cumulative spending to \$344.5 million. Appendix B shows more information on total approved budget and expenditures by program.

Some of the major projects underway with 2021 spending are shown below.

Capital Project	LTD Approved Budget	2021 Expenditures and Commitments	Total LTD Expenditures (incl. Prior Years)
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	4,353,328	27,266,316
54412007 Replacement Buses	4,170,000	4,142,838	4,164,838
53332101 Road Resurfacing and Preservation Program	5,050,000	3,292,302	3,570,973
54411903 Major Vehicle Refurbishment	5,188,000	2,587,183	4,999,153
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	12,847,200	2,531,124	5,210,295
52272101 EAB Management Program	2,374,500	1,992,836	1,992,836
53371505 Vista Promenade - Shoreline Protection	2,761,000	1,926,760	2,304,829
47801901 Museum - Coach House Renovation	2,750,000	1,697,757	1,997,034
53381703 Maplehurst Storm Sewer - South of Bridge Road to Shaw Street - Construction	5,128,000	1,638,847	4,623,387
Total	\$ 71,012,700	\$ 24,162,974	\$ 56,129,661

Capital Budget Transfers and Closures

In accordance with the Financial Control Policy, Commissioners are authorized to approve the transfer of funds between projects for any project where the costs exceed budget by the lessor of 10% or \$200,000. There were no transfers between projects approved by Commissioners during this period.

In addition, the CAO has authority to authorize funds from reserves, reserve funds or other appropriate sources up to \$350,000 provided the expenditures are within the original scope of the project. The following required funding was approved by the CAO in this period.

Project No.	Project Title	Total Approved	Reserve, Reserve Fund or Other Financing Source	Note
42102123	Fixture Conversions and HVAC Upgrades	\$ 25,000	Building Maintenance RF	Additional funds to cover internal labour costs for the delivery of this project which are not covered by the ICIP grant.
52902102	Busby Park Launch Ramp/Seawall	\$ 75,000	Capital Reserve	Additional funds are required to complete the replacement of the launch ramp.
43302103	Fire Master Plan	\$ 28,200	Fire DCs	Additional funds are required to meet enhanced scope requirement due to legislative changes and addition of Centre for Public Safety Excellence accreditation.
36102120	Trafalgar Rd Widening Fibre Work	\$ 58,000	Halton Region	Additional funds to complete mitigation work to route fibre on alternate paths. The additional funding will be fully recovered from the Region.
53412103	ICIP Pedestrian Crossover	\$ 20,000	Roads DCs	Additional funds to cover the internal labour costs on the pedestrian and trail crossing improvement project which are not covered by the ICIP grant.

As part of ongoing capital project management, staff review the status of all active projects each quarter to ensure that as projects are completed and an asset goes into service, projects are closed. During the review this period, a total of 70 projects will be closed. These closures represent a net surplus of \$3.92 million that will be returned to reserves and reserve funds. This includes \$1.72 million to be returned to town capital and equipment reserves and \$2.20 million to be returned to development charge and program specific reserve funds. There were higher than budgeted external recoveries primarily due to the LED Streetlight conversion project

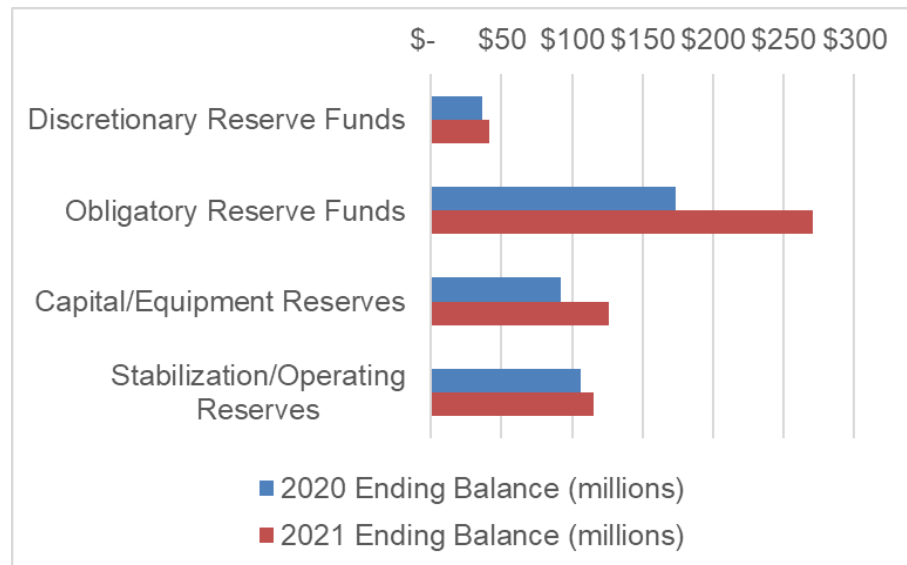
which resulted in the need to issue less debt (\$1.15 million) for this project. Appendix C provides more details of the project closures by program.

Authority	Project Budget vs Actual			Impact on Reserves (in \$1,000s) (Positive = surplus, negative = add'l funds required/received)			External Revenues	Debt Issuance
	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT LIFE VARIANCE	Town Capital & Equipment Reserves	Dev. Charge & Prog. Specific Reserve Funds	Total to/(from) Reserves		
Commissioner	76,165.6	71,638.0	4,527.6	1,808.4	2,199.2	4,007.6	630.0	(1,150.0)
CAO	255.1	346.4	(91.3)	(91.3)	-	(91.3)	-	-
Net Impact	\$ 76,420.7	\$ 71,984.4	\$ 4,436.3	\$ 1,717.1	\$ 2,199.2	\$ 3,916.2	\$ 630.0	\$ (1,150.0)

RESERVES, RESERVE FUNDS AND TRUST FUNDS

Reserve and reserve funds are an integral part of the municipal budget planning process and long term financing plan that contributes to the municipality's sound financial position. Reserve Funds are established by Council for a specific purpose and include funds that have been set aside in accordance with legislative requirements or at the discretion of Council. As such, the town has both obligatory reserve funds and discretionary reserve funds. Capital and Equipment reserves form an important component of the town's long-term capital financing plan and are used to finance maintenance and replacement of existing infrastructure to maintain assets in a state of good repair, provide for community enhancements as well as fund the town's share of new infrastructure to service the growing community. Stabilization and Operating reserves are used to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, cyclical expenses, revenue shortfalls and help to minimize fluctuations in the tax levy. Trust funds are held by the town for the benefit of other agencies or entities in accordance with specific statutes or trust indenture.

The 2020 and 2021 ending balances are shown below with further details of individual reserve and reserve funds in Appendix D.



*Note: Obligatory reserve balances do not include approved funding for capital projects not transferred yet as funds can only be transferred to projects as spending occurs.

Reserves

Stabilization and Operating reserves are healthy and remained stable over the course of the year. As previously discussed, as a result of higher building permit revenues, an additional transfer of \$4.07 million to the Building Enterprise Reserve is recommended in accordance with legislation. Capital reserves increased significantly in 2021, from \$71 million to \$104 million, primarily due to the sale of Brantwood school and savings on capital project closures.

Reserve Funds

Obligatory reserve funds, which include Development Charges, cash in lieu of Parkland, provincial Gas Tax and the federal Canada Community-Building Fund ("CCBF", formerly federal gas tax), increased from \$174 million to \$221 million as expected revenue exceeded current year capital needs. DC and cash-in-lieu of parkland revenue exceeded budget as a result of higher than anticipated development activity. Furthermore, the Town received \$6 million in top-up funds from CCBF, which is in addition to the scheduled payment.

Legislation for these reserve funds requires that funding only be transferred to capital projects once spending has been incurred; therefore, it is important to note that the fully committed balance when considering all approved funding is \$221 million at year end.

Discretionary reserve funds remained stable throughout the year. The Building Maintenance reserve fund increased from \$14 million to \$18 million due to a lower capital requirement for the year.

Trust Funds

Funds segregated and held in trust in accordance with the specific terms of a statute or trust indenture total \$6.6 million at December 31, 2021 as detailed in the following table. Interest and investment earnings are allocated based on proportionate balance at year end in accordance with policy and procedures.

2021 Trust Funds (\$ Thousands)				
Trust Fund	2020 Ending Balance	2021 Activity		Balance at 12/31/2021
		Contributions	Transfers	
Cemetery Marker Care	357.0	15.8	6.4	366.3
Cemetery Perpetual Care	5,801.3	332.2	105.1	6,028.4
Library - Halton Information Providers	95.1	188.5	168.3	115.2
Burloak Canoe Club	35.9	0.6	-	36.5
Bronte Harbour Yacht Club	23.3	0.4	-	23.7
Oakville Power Boat Club	10.8	2.2	-	13.0
Bronte Community Tennis Club	23.6	0.4	-	24.0
Oakville Rugby Club	6.2	3.2	-	9.4
Oakville Yacht Squadron	4.1	2.1	-	6.3
Total	6,357.4	545.4	279.8	6,622.9

PURCHASING

In accordance with the town's Purchasing By-law 2017-095, a summary of the competitive bids, contract renewals and sole source awards in excess of \$100,000 are reported to Council quarterly. Appendix E provides details of the awards and contract renewals in excess of \$100,000 for this quarter.

CASH MANAGEMENT and INVESTMENTS

Cash flows are managed to ensure the funding requirements of the town are met while providing for a reasonable rate of return on invested funds not needed in current operations. The investment strategy follows a conservative approach in order to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality, medium-term investments. For the period ended December 31, 2021, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$11.4 million, on a portfolio of cash and investments totaling \$676.9 million (book value). The annualized rate of return based on average cash and investment holdings was 1.78%, with an average maturity of 5.6 years.

The Bank of Canada (BOC) held the target for the overnight interest rate at the effective lower bound of 0.25% throughout 2021. In response to increased economic activity and inflation in the second half of 2021, the BOC began to ease monetary policy support by ending quantitative easing (bond purchase program) and has signalled that interest rate hikes can be expected in the middle quarters of 2022 as economic slack is absorbed. An interest rate increase of 50 basis points was made in March 2022, with additional increases expected. Bank interest and investment earnings have faced significant pressure over the past year; however, they are on an upward trend as support measures are being removed in order to combat inflation. Appendix F provides details on the components of the town's investment portfolio.

Inflation Outlook

Inflation accelerated in Canada and around the world in the second half of 2021 with consumer and construction prices increasing at levels not seen in decades. This elevated inflationary environment was driven by higher energy prices and a strong demand for goods, in conjunction with widespread supply shortages and bottlenecks at ports, mainly as a result of the ongoing pandemic. This had an impact on both operational and capital costs for the town, with rising input costs along with labour shortages resulting in a broader inflationary pressure.

In 2022, global supply shortages and commodity price volatility remain a concern given the omicron wave at the beginning of the year, and the geopolitical conflict in eastern Europe. The conflict has kept the global economy in a state of uncertainty, pushing up prices for energy and commodities and introducing new constraints on supply chains. It can be expected that higher inflation will persist in the near term due to these inflationary issues alongside tightening labour markets, resulting in financial pressure for the town. This is evidenced by the latest consumer price index data for February 2022 showing headline inflation at 6.1% in Ontario (5.7% in Canada), the highest level since 1991. The Statistics Canada non-residential building construction price index, which is a good gauge for the impact to capital related costs, increased by 15.3% from the fourth quarter of 2020 to the fourth quarter of 2021 in the Toronto area. While inflation will remain elevated, it is expected that once supply chain issues diminish inflation will ease towards 3% by the end of 2022.

Debt

Debt financing complements the funding of capital works and is generally used for specific initiatives. Issuance of town debt is through Halton Region in compliance with provincial legislation. The Region completed a debt issuance in the May 2021, for which \$1.1 million was issued on behalf of the town for the replacement of dockage at Oakville Harbour. Total principal outstanding at the beginning of the year was \$105.8 million and has declined to \$98.3 million at year end. The town is in a

strong financial position with total debt charges for the year at 4% of net own source revenue, which is well within town policy of 12% and the Ministry limit of 25%. Further details are provided in Appendix G.

Development Related Securities

Securities are required to ensure performance to town standards of development related work done by third parties. Staff monitor the progress of the various projects to ensure that adequate security is held by the town relative to the value of the outstanding work, and releases of securities are contingent on satisfactory inspection. Securities are generally held for site plan and subdivision related residential and non-residential development (80%) as well as specific property related works. At December 31, 2021 the town held \$159 million in securities, \$124 million of which is secured by letters of credit (the remainder are cash).

CONSIDERATIONS:**(A) PUBLIC**

This report provides information to the public regarding the town's financial performance for 2021. No specific groups have been notified directly regarding this report.

(B) FINANCIAL

This report and the information contained therein are in compliance with the town's financial policies.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Financial results have been estimated and reflected in consultation with the other departments

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:

- Reporting on the town's financial results is a key component of being an Accountable Government

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – Operating Budget Variance Results

Appendix B – Capital Project Summary by Commission and Department

Appendix C – Summary of Capital Closures

Appendix D – Reserves and Reserve Funds

Appendix E – Purchasing Awards in excess of \$100,000
Appendix F – Investment Portfolio
Appendix G – Outstanding Debt
Appendix H – Municipal Act Reporting Requirements Report

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