

## REPORT

### Council

**Meeting Date: June 20, 2022**

---

**FROM:** Finance Department

**DATE:** June 7, 2022

**SUBJECT:** March 31st, 2022 Financial Results

**LOCATION:**

**WARD:** Town-wide

Page 1

---

**RECOMMENDATION:**

1. That the staff report dated June 7, 2022, entitled *March 31<sup>st</sup>, 2022 Financial Results* from the Finance department, be received.
2. That the 2022 capital budget be amended to add \$17,500 to project 21102104 2273 Trafalgar Rd Land Purchase project funded from the Capital Reserve to undertake comprehensive environmental testing.

**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, 2022 to March 31, 2022.
- The total projected town variance after reserve transfers is \$1.46 million unfavourable or 0.7% of the tax levy.
- The projection includes \$5.69 million in Government support, which was budgeted as an interim measure to offset COVID-19 impacts; an announcement has not been made as of the date of this report.
- The projection also includes an unfavourable variance of \$2.38 million for fuel and an unfavourable variance of \$0.83 million for winter control. Town policy is to fund unfavourable variances for these items from stabilization reserves if required.
- Total capital expenditures of \$45.0 million have been incurred in this period.
- A total of 20 capital projects have been identified for closure this period resulting in \$0.85 million being returned to reserves and reserve funds.
- A total of 20 tendered contracts and 2 single source awards in excess of \$100,000 were awarded during this period.
- In 2022, global supply shortages and commodity price volatility remain a concern, and it can be expected that higher inflation will persist in the near

term resulting in financial pressure for the town. The Bank of Canada's April Monetary Policy Report revised CPI inflation upwards to 5.3% for 2022, and to 2.8% in 2023. The war and the resulting trade restrictions are likely to lengthen global supply chain disruptions, particularly for commodities.

## BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2022 to March 31, 2022 and covers all financial matters including operating budget, capital budget, reserve and reserve fund balances, investment and trust funds, and purchasing activities.

## COMMENT/OPTIONS:

## OPERATING BUDGET

Based on the results for this period, the total projected town variance after policy related and recommended transfers to reserves is \$1.46 million unfavourable or 0.7% of the tax levy.

\$ Millions	2022 Annual Budget	2022 Q1 Actuals+ Commitments	2022 Q1 Year-end Projection	2022 Variance to Budget
Emergency Services	41.96	9.99	42.54	(0.58)
Road Network	27.79	9.19	28.79	(1.00)
Oakville Transit	29.29	6.72	29.14	0.15
Recreation and Culture	19.68	4.08	20.48	(0.80)
Parks and Open Spaces (incl. Cemetery and Harbours)	20.30	1.84	19.72	0.58
Oakville Public Library	11.07	2.99	10.78	0.29
Community Development	3.90	(0.35)	3.13	0.77
Political Governance	3.90	0.79	3.89	0.01
Municipal Enforcement (incl. Parking)	1.94	0.65	2.48	(0.54)
Corporate Support Services	34.75	8.35	33.63	1.11
<b>Total Program Variance</b>	<b>\$ 194.57</b>	<b>\$ 44.24</b>	<b>\$ 194.58</b>	<b>\$ (0.01)</b>
Corporate Hearings & Litigation	0.50	(0.02)	0.50	(0.00)
Corporate Revenue & Expenses	(195.07)	(288.34)	(194.41)	(0.66)
<b>Town Variance before transfers</b>	<b>\$ -</b>	<b>\$ (244.12)</b>	<b>\$ 0.67</b>	<b>\$ (0.67)</b>
<b>Policy Related and Recommended Transfers for Programs:</b>				
Transfer (to)/from Building Enterprise Reserve				(0.23)
Transfer (to)/from Cemetery Reserve				(0.04)
Transfer (to)/from Harbours Reserve fund				(0.52)
Transfer (to)/from Parking Reserve fund				not recommended
<b>Total Town Variance after transfers</b>				<b>\$ (1.46)</b>

As shown above, the total projected program variance is only \$0.01 million unfavourable, while the total projected town variance before transfers is \$0.67 million unfavourable. This projection includes \$5.69 million in support from other levels of government, which was budgeted in Corporate Revenue and Expenses as

an interim measure to offset COVID-19 impacts. A funding announcement has not been made as of the date of this report.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.23 million to the Building Enterprise Reserve is projected. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election to their own program specific reserves. Cemeteries and Harbours are projecting surpluses which town staff will recommend to be transferred to their respective reserves and reserve funds as normal at year-end. Election is projecting to be on budget. Parking continues to be impacted by the COVID-19 pandemic and is projecting a deficit. In 2020 and 2021, the town did not transfer from the Parking reserve fund to cover the shortfall given the impact of the pandemic and it is expected that a similar approach will be recommended this year.

After all policy related and recommended transfers, the total projected town variance after transfers is \$1.46 million unfavourable representing 0.7% of the tax levy. This also includes a projected unfavourable variance of \$2.38 million for fuel given the significant increase in fuel rates and a projected unfavourable variance of \$0.83 million for winter control given several significant snow storm events at the beginning of 2022. According to town procedure, unfavourable variances in fuel costs due to significant changes in rates can be offset by a transfer from the Tax Stabilization reserve at year end. Also, unfavourable variances in winter control can be offset by a transfer from the Storm Event reserve at year end if required. Staff will continue to monitor these impacts and report back in the next quarterly report.

### **COVID-19 Impact**

COVID-19 impacts of \$5.69 million were included in the 2022 budget along with \$5.69 million in Government support, yet to be announced, to offset these COVID-19 impacts. In addition to the budgeted COVID-19 impacts, a further \$4.82 million is projected to year-end. As shown below, \$4.69 million is attributed to revenue loss, primarily in Recreation and Culture, given the closure of various facilities and reduced programming at the beginning of 2022 and \$0.13 million is attributed for additional cleaning, safety supplies and other pandemic related costs.

COVID-19 Impact (\$ Millions)	2022 Variance to Budget
<b>Revenue Loss</b>	
Recreation and Culture	(3.19)
Parking	(0.79)
Transit	(0.45)
Other Programs	(0.26)
<b>Total Revenue Loss</b>	<b>\$ (4.69)</b>
<b>Additional Costs</b>	
Personnel Services and Benefits	(0.03)
Materials and Supplies	(0.03)
Purchased Services	(0.07)
<b>Total Additional Costs</b>	<b>\$ (0.13)</b>
<b>Total estimated COVID-19 Impact at year-end</b>	<b>\$ (4.82)</b>

### Program Variance

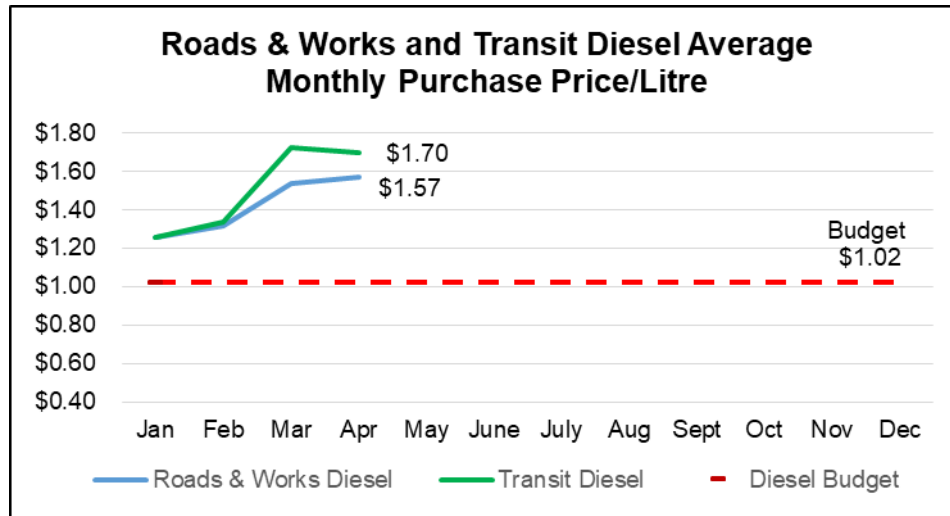
Despite the projected COVID-19 impact, higher fuel rates and additional winter control costs, the total projected program variance is only \$0.01 million unfavourable as shown below. The most significant variances to budget by expense and revenue type are discussed below.

\$ Millions	2022 Annual Budget	2022 Q1 Actuals+ Commitments	2022 Q1 Year-end Projection	2022 Variance to Budget
<b>EXPENSES</b>				
PERSONNEL SERVICES & BENEFITS	176.71	34.87	169.84	6.87
MATERIALS & SUPPLIES	23.80	6.59	26.13	(2.33)
CAPITAL OUT OF OPERATIONS	0.50	0.09	0.50	(0.01)
PURCHASED SERVICES	40.27	14.43	40.99	(0.72)
PAYMENTS & GRANTS	5.93	1.62	5.78	0.14
INTERNAL EXPENSES & TRANSFERS	39.34	4.59	39.11	0.23
<b>Total EXPENSES</b>	<b>\$ 286.54</b>	<b>\$ 62.18</b>	<b>\$ 282.35</b>	<b>\$ 4.18</b>
<b>REVENUES</b>				
EXTERNAL REVENUES	(67.68)	(13.38)	(63.83)	(3.86)
INTERNAL RECOVERY & FUND TRANSFERS	(24.29)	(4.56)	(23.95)	(0.34)
<b>Total REVENUES</b>	<b>\$ (91.97)</b>	<b>\$ (17.95)</b>	<b>\$ (87.78)</b>	<b>\$ (4.19)</b>
<b>Total Programs</b>	<b>\$ 194.57</b>	<b>\$ 44.24</b>	<b>\$ 194.58</b>	<b>\$ (0.01)</b>

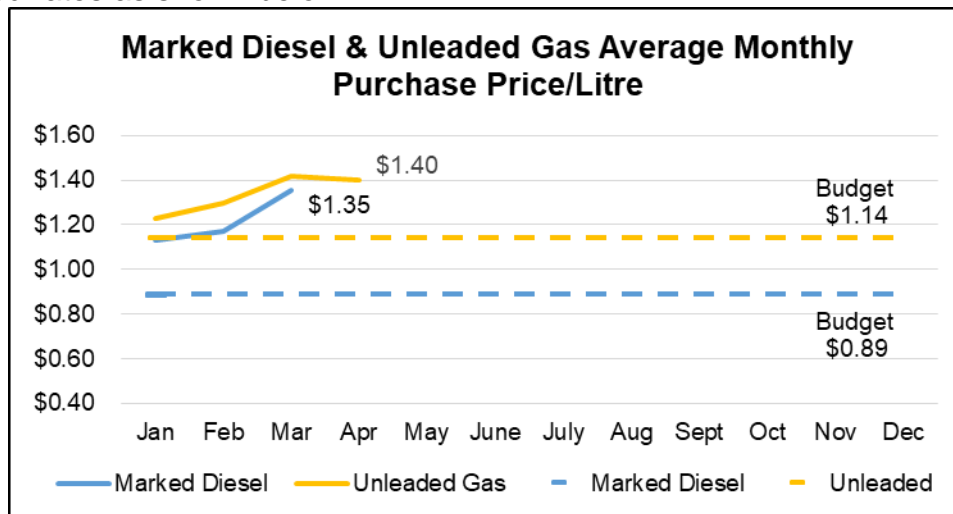
Personnel Services & Benefits - \$6.87 million favourable. These savings are higher than normal primarily due to reduced programming and services at the beginning of 2022 in Recreation & Culture and Transit and for various vacancies in other programs as the town continues to look for opportunities to fill vacant positions.

Materials & Supplies - \$2.33 million unfavourable. This is primarily attributed to fuel costs which are projected to be \$2.38 million over budget given the significant increase in fuel rates. Staff have been monitoring the rise in fuel rates very closely, particularly diesel which is the primary fuel used by town vehicles. As shown below,

the average monthly cost per litre is \$1.57 for Roads and Works diesel and \$1.70 for Transit diesel, which are significantly higher than the budgeted rate of \$1.02 per litre. Note – the different rates between the two departments is due to changes in the rates based on the timing of the fuel purchases.



The rates for marked diesel and unleaded gas also continue to be higher than the budgeted rates as shown below.



As mentioned above, overall fuel costs are projected to be \$2.38 million over budget at year end based on the current rates (as of early May) with the majority of the variance in Transit and Fleet Operations. Staff will continue to monitor fuel rates and report back in the next quarterly report. According to town procedure, fluctuations in fuel costs due to significant changes in rates can be offset by a transfer from the Tax Stabilization reserve at year end.

Purchased Services - \$0.72 million unfavourable. This is primarily attributed to a projected unfavourable variance of \$0.83 million for winter control given several significant snow storm events at the beginning of 2022. The town has established a reserve to assist in balancing the fluctuations in winter control (Storm Event reserve) and therefore an unfavourable variance in winter control can be offset with a transfer from this reserve. Staff will monitor this impact and, if required, will recommend a transfer from the reserve at year-end.

External Revenue - \$3.86 million unfavourable. This is primarily attributed to revenue loss due to the COVID-19 pandemic for Recreation & Culture registration fees, memberships and ice/facility rentals, Parking fees and Transit fares.

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

Road Network - \$1.00 million unfavourable

The projected variance is primarily due winter control and fuel costs partially offset by personnel savings for various vacancies. Several significant snow storm events at the beginning of 2022 have resulted in a projected unfavourable variance of \$0.83 million for winter control, as captured under purchased services in the table below. Higher fuel rates, as discussed in the Program Variance section of the report, have resulted in a projected unfavourable variance of \$0.57 million for fuel captured under materials & supplies in the table below.

\$ Millions	2022 Annual Budget	2022 Q1 Actuals+ Commitments	2022 Q1 Year-end Projection	2022 Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	16.89	3.50	16.21	0.68
MATERIALS & SUPPLIES	6.53	2.19	7.23	(0.70)
CAPITAL OUT OF OPERATIONS	0.11	0.00	0.11	(0.00)
PURCHASED SERVICES	10.97	5.99	11.99	(1.03)
PAYMENTS & GRANTS	1.34	0.28	1.29	0.05
INTERNAL EXPENSES & TRANSFERS	7.47	1.01	7.50	(0.03)
<b>Total EXPENSES</b>	<b>\$ 43.30</b>	<b>\$ 12.98</b>	<b>\$ 44.33</b>	<b>\$ (1.02)</b>
REVENUES				
EXTERNAL REVENUES	(5.36)	(1.68)	(5.52)	0.17
INTERNAL RECOVERY & FUND TRANSFERS	(10.16)	(2.11)	(10.01)	(0.14)
<b>Total REVENUES</b>	<b>\$ (15.51)</b>	<b>\$ (3.79)</b>	<b>\$ (15.54)</b>	<b>\$ 0.02</b>
<b>Total Road Network</b>	<b>\$ 27.79</b>	<b>\$ 9.19</b>	<b>\$ 28.79</b>	<b>\$ (1.00)</b>

Recreation and Culture - \$0.80 million unfavourable

The projected variance is primarily due to projected revenue loss of \$2.90 million given the closure of various facilities and reduced programming at the beginning of 2022 partially offset by savings of \$1.65 million in personnel for various vacancies. Savings are also projected in materials and supplies (\$0.24 million) primarily for

utilities and purchased services (\$0.22 million) primarily for instructor/performer fees and other programming costs given the closure of various facilities and reduced programming at the beginning of 2022.

\$ Millions	2022 Annual Budget	2022 Q1 Actuals+ Commitments	2022 Q1 Year-end Projection	2022 Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	24.45	3.89	22.80	1.65
MATERIALS & SUPPLIES	5.39	0.95	5.15	0.24
CAPITAL OUT OF OPERATIONS	0.09	0.03	0.09	0.00
PURCHASED SERVICES	5.10	1.11	4.88	0.22
PAYMENTS & GRANTS	1.41	0.68	1.42	(0.01)
INTERNAL EXPENSES & TRANSFERS	5.00	0.10	5.00	0.00
<b>Total EXPENSES</b>	<b>\$ 41.42</b>	<b>\$ 6.76</b>	<b>\$ 39.32</b>	<b>\$ 2.10</b>
REVENUES				
EXTERNAL REVENUES	(21.10)	(2.62)	(18.20)	(2.90)
INTERNAL RECOVERY & FUND TRANSFERS	(0.64)	(0.06)	(0.64)	-
<b>Total REVENUES</b>	<b>\$ (21.74)</b>	<b>\$ (2.68)</b>	<b>\$ (18.84)</b>	<b>\$ (2.90)</b>
<b>Total Recreation and Culture</b>	<b>\$ 19.68</b>	<b>\$ 4.08</b>	<b>\$ 20.48</b>	<b>\$ (0.80)</b>

#### Emergency Services - \$0.58 million unfavourable

The projected variance is primarily due to personnel services to backfill various sick leaves.

\$ Millions	2022 Annual Budget	2022 Q1 Actuals+ Commitments	2022 Q1 Year-end Projection	2022 Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	37.65	9.28	38.12	(0.48)
MATERIALS & SUPPLIES	0.78	0.28	0.87	(0.09)
CAPITAL OUT OF OPERATIONS	0.01	0.01	0.01	0.00
PURCHASED SERVICES	1.85	0.40	1.86	(0.01)
PAYMENTS & GRANTS	0.05	0.04	0.05	(0.00)
INTERNAL EXPENSES & TRANSFERS	2.21	0.10	2.21	0.00
<b>Total EXPENSES</b>	<b>\$ 42.54</b>	<b>\$ 10.11</b>	<b>\$ 43.12</b>	<b>\$ (0.58)</b>
REVENUES				
EXTERNAL REVENUES	(0.55)	(0.11)	(0.55)	0.00
INTERNAL RECOVERY & FUND TRANSFERS	(0.03)	(0.01)	(0.03)	-
<b>Total REVENUES</b>	<b>\$ (0.58)</b>	<b>\$ (0.12)</b>	<b>\$ (0.58)</b>	<b>\$ 0.00</b>
<b>Total Emergency Services</b>	<b>\$ 41.96</b>	<b>\$ 9.99</b>	<b>\$ 42.54</b>	<b>\$ (0.58)</b>

#### Municipal Enforcement (including Parking) - \$0.54 million unfavourable

The projected variance is primarily due to projected Parking revenue loss which is partially offset by personnel savings for various vacancies.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	4.63	1.00	4.49	0.13
MATERIALS & SUPPLIES	0.32	0.04	0.26	0.05
CAPITAL OUT OF OPERATIONS	0.02	-	0.01	0.02
PURCHASED SERVICES	1.52	0.45	1.58	(0.06)
PAYMENTS & GRANTS	0.57	0.04	0.55	0.02
INTERNAL EXPENSES & TRANSFERS	1.95	0.44	1.95	0.00
<b>Total EXPENSES</b>	<b>\$ 9.01</b>	<b>\$ 1.96</b>	<b>\$ 8.83</b>	<b>\$ 0.17</b>
REVENUES				
EXTERNAL REVENUES	(5.86)	(1.09)	(5.08)	(0.78)
INTERNAL RECOVERY & FUND TRANSFERS	(1.20)	(0.22)	(1.28)	0.08
<b>Total REVENUES</b>	<b>\$ (7.07)</b>	<b>\$ (1.31)</b>	<b>\$ (6.36)</b>	<b>\$ (0.71)</b>
<b>Total Municipal Enforcement (incl. Parking)</b>	<b>\$ 1.94</b>	<b>\$ 0.65</b>	<b>\$ 2.48</b>	<b>\$ (0.54)</b>

#### Oakville Transit - \$0.15 million favourable

The projected variance is primarily due to fuel costs and revenue loss which are offset by savings on personnel services and taxi usage for specialized transit trips. Higher fuel rates, as discussed in the Program Variance section of the report, have resulted in a projected unfavourable variance of \$1.70 million for fuel captured under materials & supplies in the table below. Ridership has continued to be impacted by the pandemic with projected revenue loss of \$0.82 million partially offset by a \$0.24 million supplementary Transit Safe Restart Agreement (SRA) grant expected to be received from the Provincial government to support with COVID-19 municipal transit pressures based on eligible expenditures incurred in January 2022.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	22.33	3.70	20.14	2.19
MATERIALS & SUPPLIES	4.79	1.26	6.55	(1.76)
CAPITAL OUT OF OPERATIONS	0.01	0.00	0.01	0.00
PURCHASED SERVICES	4.04	1.31	3.70	0.34
PAYMENTS & GRANTS	1.00	0.13	0.94	0.06
INTERNAL EXPENSES & TRANSFERS	4.66	0.00	4.66	0.00
<b>Total EXPENSES</b>	<b>\$ 36.82</b>	<b>\$ 6.40</b>	<b>\$ 36.00</b>	<b>\$ 0.82</b>
REVENUES				
EXTERNAL REVENUES	(5.54)	0.33	(4.86)	(0.67)
INTERNAL RECOVERY & FUND TRANSFERS	(2.00)	(0.01)	(2.00)	0.00
<b>Total REVENUES</b>	<b>\$ (7.53)</b>	<b>\$ 0.32</b>	<b>\$ (6.86)</b>	<b>\$ (0.67)</b>
<b>Total Oakville Transit</b>	<b>\$ 29.29</b>	<b>\$ 6.72</b>	<b>\$ 29.14</b>	<b>\$ 0.15</b>

#### Community Development - \$0.77 million favourable

The projected variance is primarily due to \$0.97 million in personnel savings for various vacancies as the town continues to look for opportunities to fill vacant positions.



\$ Millions	2022	2022	2022	2022
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	14.58	2.78	13.61	0.97
MATERIALS & SUPPLIES	0.08	0.01	0.08	(0.00)
CAPITAL OUT OF OPERATIONS	0.01	0.00	0.01	0.00
PURCHASED SERVICES	0.65	0.14	0.72	(0.07)
PAYMENTS & GRANTS	0.14	0.04	0.15	(0.00)
INTERNAL EXPENSES & TRANSFERS	10.76	1.89	10.76	(0.00)
<b>Total EXPENSES</b>	<b>\$ 26.23</b>	<b>\$ 4.86</b>	<b>\$ 25.33</b>	<b>\$ 0.90</b>
REVENUES				
EXTERNAL REVENUES	(19.69)	(4.72)	(19.70)	0.01
INTERNAL RECOVERY & FUND TRANSFERS	(2.64)	(0.49)	(2.50)	(0.14)
<b>Total REVENUES</b>	<b>\$ (22.33)</b>	<b>\$ (5.21)</b>	<b>\$ (22.20)</b>	<b>\$ (0.13)</b>
<b>Total Community Development</b>	<b>\$ 3.90</b>	<b>\$ (0.35)</b>	<b>\$ 3.13</b>	<b>\$ 0.77</b>

### Corporate Support Services - \$1.11 million favourable

The projected variance is primarily due to \$1.26 million in personnel savings for various vacancies as the town continues to look for opportunities to fill vacant positions.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	29.34	6.00	28.09	1.26
MATERIALS & SUPPLIES	1.13	0.35	1.12	0.00
CAPITAL OUT OF OPERATIONS	0.04	0.02	0.04	0.00
PURCHASED SERVICES	9.17	3.38	9.20	(0.03)
PAYMENTS & GRANTS	0.69	0.17	0.62	0.07
INTERNAL EXPENSES & TRANSFERS	0.60	0.06	0.52	0.08
<b>Total EXPENSES</b>	<b>\$ 40.98</b>	<b>\$ 9.98</b>	<b>\$ 39.59</b>	<b>\$ 1.39</b>
REVENUES				
EXTERNAL REVENUES	(2.43)	(0.45)	(2.34)	(0.09)
INTERNAL RECOVERY & FUND TRANSFERS	(3.81)	(1.18)	(3.62)	(0.18)
<b>Total REVENUES</b>	<b>\$ (6.23)</b>	<b>\$ (1.63)</b>	<b>\$ (5.96)</b>	<b>\$ (0.27)</b>
<b>Total Corporate Support Services</b>	<b>\$ 34.75</b>	<b>\$ 8.35</b>	<b>\$ 33.63</b>	<b>\$ 1.11</b>

### **2022 Update on Minimum Wage**

As previously discussed in the 2021 Financial Results and Surplus Disposition report dated April 12, 2022, 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 estimated 2022 impact of \$265,600.

Staff will monitor this impact alongside the ongoing effects and mitigation efforts due to the COVID-19 pandemic. The 2023 budget will be adjusted to reflect this impact.

## CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$655.9 million. During this period, total expenditures of \$45.0 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$314.8 million. Appendix B shows more information on total approved budget and expenditures by program. Some of the major projects underway with spending this year are shown below.

Capital Project	LTD Approved Budget	2022 Expenditures and Commitments	Total LTD Expenditures (incl. Prior Years)
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,309,200	6,931,634	12,141,929
46602104 North Park - Community Centre and Library	49,820,200	2,029,081	2,342,943
52212010 Bronte Green (Merton) Parks and NHS Trails	2,991,500	1,848,365	2,895,128
36101915 Amanda Tax System Replacement	4,072,400	1,399,992	1,506,239
52272209 EAB Management Program	2,331,750	1,256,851	1,256,851
53371810 Munn's Creek, Reaches 33-35 - Creek Erosion - Phase 2 Construction	2,433,449	1,226,512	2,244,990
43302102 Fire Vehicle and Equipment Replacement	1,153,600	1,077,755	1,084,289
52292205 Parks Equipment Replacement	1,041,300	1,027,490	1,027,490
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	927,436	28,193,752
<b>Total</b>	<b>\$ 129,897,399</b>	<b>\$ 17,725,116</b>	<b>\$ 52,693,610</b>

## 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 lesser 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
43302102	Fire Vehicle and Equipment Rep	\$ 125,000	Fire Equipment Reserves	Additional funds to cover the balance of apparatus costs and essential equipment. Due to timelines for replacing the specialized heavy rescue unit, there were limited bidders caused by supply change issues.

As part of our 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 that the projects are closed. As a result of the review this period, a total of 20 projects will be closed. These closures represent a net surplus of \$0.85

million that will be returned to reserves and reserve funds. Appendix C provides more details of the project closures by program.

	Project Budget vs Actual			Impact on Reserves (in \$1,000s) (Positive = surplus, negative = add'l funds required/received)		
	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT LIFE VARIANCE	Town Capital & Equipment Reserves	Dev. Charge & Prog. Specific Reserve Funds	Total to/(from) Reserves
<b>Net Impact</b>	\$ 11,705.3	\$ 10,850.5	\$ 854.8	\$ 854.2	\$ 0.6	\$ 854.8

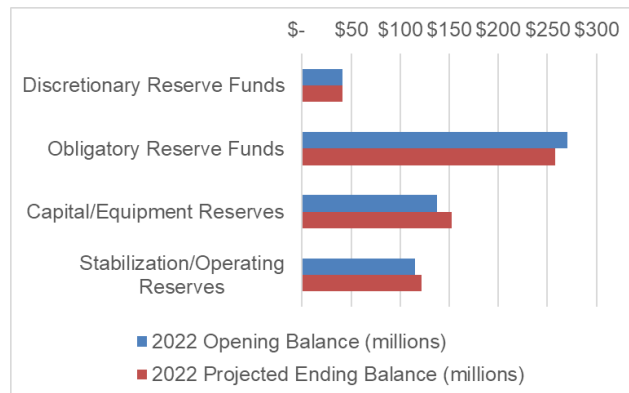
### **Capital Budget Request**

With the acquisition of the lands at 2273 Trafalgar Road from the Region, there is a need to undertake a comprehensive environmental testing of the portion of the property that was filled. When the water station was demolished, an excavation was necessary and the importing of fill/soil material was necessary. Specifically, the town should test the fill material to ensure there is no contamination on the property in advance of any park development. Staff recommend that the 2022 capital budget be amended to add \$17,500 to project 21102104 2273 Trafalgar Rd Land Purchase project to fund this testing from the Capital Reserve.

### **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 2021 ending balances, and 2022 projected 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 expected to remain stable over the course of the year. Capital related reserves are expected to increase during the year, as transfers to these reserves for future capital needs along with the sale of residential subdivision lands at the old Oakville Trafalgar Memorial Hospital site exceed the capital outlay in 2022. Equipment reserves will decrease slightly, as transfers to these reserves is less than the capital outlay anticipated.

## **Reserve Funds**

Obligatory Reserve Funds, which include Development Charges, cash in lieu of Parkland, provincial Gas Tax and the Canada Community-Building Fund (formerly known as the Federal Gas Tax), are expected to decrease from \$270 million to \$258 million, as current year capital needs exceeds expected revenue. 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 projected to be \$157 million at year end. Discretionary Reserve funds are expected to remain stable throughout the year.

## **Trust Funds**

Funds segregated and held in trust in accordance with the specific terms of a statute or trust indenture total \$6.7 million at March 31, 2022 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.

2022 Trust Funds (\$ Thousands)				
Trust Fund	2021 Ending Balance	2022 Activity		Balance at 3/31/2022
		Contributions	Transfers	
Cemetery Marker Care	366.3	1.9	-	368.2
Cemetery Perpetual Care	6,028.4	25.3	-	6,053.7
Library - Halton Information Providers	115.2	7.2	-	122.4
Burloak Canoe Club	36.5	-	-	36.5
Bronte Harbour Yacht Club	23.7	-	-	23.7
Oakville Power Boat Club	13.0	2.0	-	15.0
Bronte Community Tennis Club	24.0	-	-	24.0
Oakville Rugby Club	9.4	3.0	-	12.4
Oakville Yacht Squadron	6.3	4.0	-	10.3
<b>Total</b>	<b>6,622.9</b>	<b>43.3</b>	<b>-</b>	<b>6,666.3</b>

## 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 March 31, 2022, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$6.1 million, on a portfolio of cash and investments totaling \$721.5 million (book value). The annualized rate of return based on average cash and investment holdings was 1.7%, with an average maturity of 5.6 years.

Bank interest and investment earnings have faced significant pressure over the past two years; however, they are on an upward trend in 2022. The Bank of Canada (BOC) is tightening monetary policy in response to increased economic activity and rising inflation. On March 2<sup>nd</sup>, the BOC increased its key interest rate by a quarter percent, from the effective lower bound of 0.25%. An additional half percent increase was made on April 13<sup>th</sup> bringing rates to 1.00%, with further rate hikes expected in June and July. Fixed income yields have also risen due to inflationary

concerns, as the yield on ten year federal bonds has risen from 1.6% to 2.5% during the first quarter of 2022. Appendix F provides details on the components of the town's investment portfolio.

### **Inflation Outlook**

As previously discussed in the 2021 Financial Results and Surplus Disposition report dated April 12, 2022, inflation accelerated in Canada and around the world in the second half of 2021 and the beginning of 2022 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, and it can be expected that higher inflation will persist in the near term resulting in financial pressure for the town. In the BOC's April Monetary Policy Report, CPI inflation was revised up by 1.1% to 5.3% for 2022, and up by 0.5% to 2.8% in 2023. The war and the resulting trade restrictions are likely to lengthen global supply chain disruptions, particularly for commodities. As many consumer and construction prices are linked to commodities, increased production costs and more pervasive supply chain disruptions will continue, and prices will face additional upward pressure.

### **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. Through the 2022 Capital Budget, \$26 million in development charge supported debt was approved for the North Park Community Centre and Library. The Region will be completing a debt issuance in the coming months, for which \$10 million will be issued on behalf of the town for this project. Total principal outstanding at the beginning of the year was \$98.3 million, and will rise to \$103.9 million at year end. The town is in a strong financial position with total debt charges for the year at 2.6% 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 as well as specific property related works. March 31<sup>st</sup> the town held \$169 million in securities, \$132 million (77%) 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. 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

Prepared by:  
Dalibor Stancovici  
Manager of Financial Planning & Policy

Matt Day  
Manager of Development Financing & Investments

Recommended by:  
Jonathan van der Heiden  
Deputy Treasurer and Director of Finance

Submitted by:  
Nancy Sully  
Commissioner of Corporate Services and Treasurer