

REPORT

Council

Meeting Date: September 19, 2022

FROM: Finance Department

DATE: September 6, 2022

SUBJECT: June 30, 2022 Financial Results

LOCATION: Town-wide

WARD: Town-wide

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RECOMMENDATION:

1. That the staff report dated September 6, 2022, entitled *June 30, 2022 Financial Results* from the Finance department, be received.
2. That the 2022 capital budget be amended to add \$504,000 to project 42102110 Accommodation Needs funded from the Capital Reserve for preliminary work required to implement a physical work environment that supports hybrid work styles.
3. That the 2022 capital budget be amended to add a new project in the amount of \$136,000 funded from the Building Maintenance reserve fund for design and consulting fees related to repairs needed at Wedgewood pool.
4. That \$448,600 for the Winter Recreation Strategy for the 2022/2023 season be approved to be funded from the Tax Stabilization 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, 2022 to June 30, 2022.
- The total projected town variance after reserve transfers is \$0.80 million unfavourable or 0.4% of the tax levy.
- The projection does not include the \$5.69 million in Government support budgeted as an interim measure to offset COVID-19 impacts as an announcement has not been made as of the date of this report.
- The projection includes an unfavourable variance of \$1.51 million for fuel and an unfavourable variance of \$1.33 million for winter control. Town policy is to fund unfavourable variances for these items from reserves if required.

- Total capital expenditures of \$92.0 million have been incurred in this period.
- A total of 20 capital projects have been identified for closure this period resulting in \$1.45 million being returned to reserves and reserve funds.
- A total of 15 tendered contracts and 3 single source awards in excess of \$100,000 were awarded during this period.
- In June, the annual headline inflation rate hit 8.1% year over year, marking the fastest pace since 1983. In the BOC's July Monetary Policy Report, inflation forecasts have been revised up by almost 2 percentage points to 7.2% in 2022, by 1.8 percentage points to 4.6% in 2023, and by 0.2 percentage points to 2.3% in 2024. Some relief came with the July inflation reading dropping to 7.6% year over year, which was the first pull-back in the annual inflation rate in just over a year.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2022 to June 30, 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 \$0.80 million unfavourable or 0.4% of the tax levy.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
Emergency Services	41.96	21.14	42.44	(0.49)
Road Network	27.79	18.00	27.68	0.11
Oakville Transit	29.29	14.95	28.02	1.27
Recreation and Culture	19.68	12.66	19.91	(0.23)
Parks and Open Spaces (incl. Cemetery and Harbours)	20.30	9.33	19.27	1.03
Oakville Public Library	11.07	5.77	10.76	0.32
Community Development	3.90	1.63	1.56	2.33
Political Governance	3.90	1.11	3.74	0.16
Municipal Enforcement (incl. Parking)	1.94	1.34	2.92	(0.98)
Corporate Support Services	34.75	14.86	32.97	1.78
Total Program Variance	\$ 194.57	\$ 100.78	\$ 189.27	\$ 5.30
Corporate Hearings & Litigation	0.50	0.11	0.50	0.00
Corporate Revenue & Expenses	(195.07)	(180.53)	(190.01)	(5.06)
Town Variance before transfers	\$ -	\$ (79.63)	\$ (0.24)	\$ 0.24
Policy Related and Recommended Transfers for Programs:				
Transfer (to)/from Building Enterprise Reserve				(0.35)
Transfer (to)/from Cemetery Reserve				(0.10)
Transfer (to)/from Harbours Reserve fund				(0.59)
Transfer (to)/from Parking Reserve fund				not recommended
Total Town Variance after transfers				\$ (0.80)

As shown above, the total projected Program variance is \$5.30 million favourable. Corporate Revenue & Expenses includes additional supplementary taxes of \$1.83 million in the year-end projection. Support from other levels of government in the amount of \$5.69 million was budgeted in Corporate Revenue & Expenses as an interim measure to offset COVID-19 impacts. A funding announcement has not been made as of the date of this report and is not included in the year-end projections thus resulting in an overall unfavourable variance of \$5.06 million in Corporate Revenue & Expenses. The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$0.24 million favourable.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.35 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 \$0.80 million unfavourable representing 0.4% of the tax levy. This also includes a projected unfavourable variance of \$1.51 million for fuel given the

significant increase in fuel rates and a projected unfavourable variance of \$1.33 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 \$5.72 million is projected to year-end. As shown below, \$5.60 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 \$0.12 million is attributed for additional cleaning, safety supplies and other pandemic related costs.

COVID-19 Impact (\$ Millions)	2022 Variance to Budget
Revenue Loss	
Recreation and Culture	(4.42)
Parking	(0.67)
Transit	(0.45)
Other Programs	(0.06)
Total Revenue Loss	\$ (5.60)
Additional Costs	
Materials and Supplies	(0.03)
Purchased Services	(0.09)
Total Additional Costs	\$ (0.12)
Total estimated COVID-19 Impact at year-end	\$ (5.72)

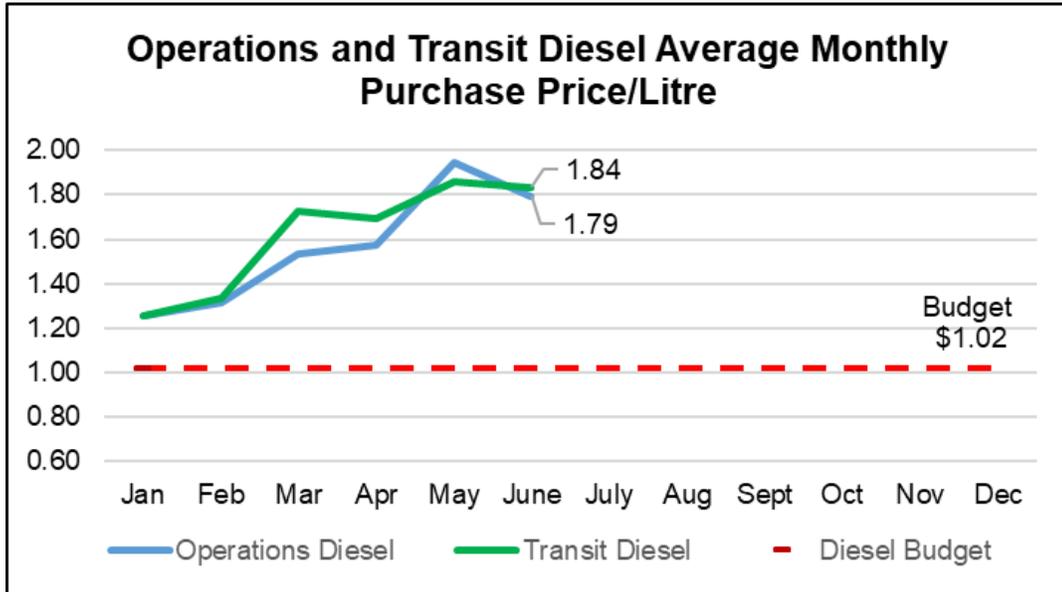
Program Variance

Despite the projected COVID-19 impact, higher fuel rates and additional winter control costs, the total projected program variance is \$5.30 million favourable as shown below. The most significant variances to budget by expense and revenue type are discussed below.

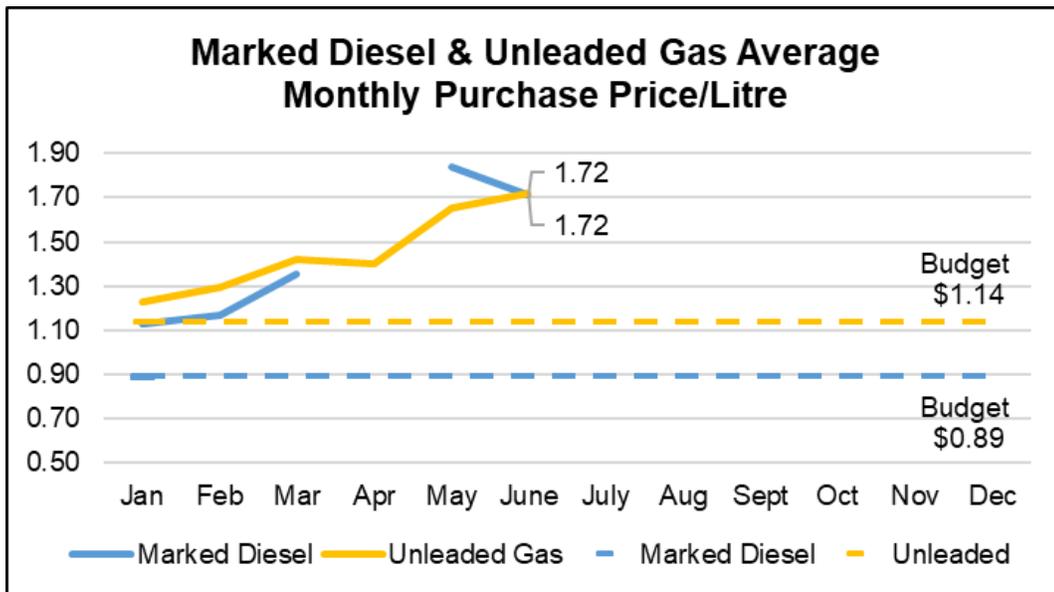
\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Commitm	Q2 Year- Projectio	Variance to Budget
EXPENSES				
Personnel Services & Benefits	176.71	75.96	165.83	10.88
Materials & Supplies	23.80	12.16	24.70	(0.90)
Capital out of Operations	0.50	0.19	0.50	(0.01)
Purchased Services	40.27	22.82	41.05	(0.78)
Payments & Grants	5.93	3.14	5.61	0.32
Internal Expenses & Transfers	39.34	27.95	39.12	0.22
Total EXPENSES	\$ 286.54	\$ 142.23	\$ 276.82	\$ 9.72
REVENUES				
External Revenues	(67.68)	(28.58)	(63.80)	(3.89)
Internal Recovery & Fund Transfers	(24.29)	(12.86)	(23.76)	(0.53)
Total REVENUES	\$ (91.97)	\$ (41.44)	\$ (87.55)	\$ (4.42)
Total Programs	\$ 194.57	\$ 100.78	\$ 189.27	\$ 5.30

Personnel Services & Benefits - \$10.88 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 to fill vacant positions.

Materials & Supplies - \$0.90 million unfavourable. This is primarily attributed to fuel costs which are projected to be \$1.51 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 \$1.79 for Operations diesel and \$1.84 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.



Note: The gaps in the graph for market diesel are due to no purchases during those months

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 - \$0.78 million unfavourable.

This is primarily attributed to a projected unfavourable variance of \$1.33 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 - \$3.89 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.

Municipal Enforcement (including Parking) - \$0.98 million unfavourable

The projected variance shown below 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	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	4.63	2.01	4.35	0.28
Materials & Supplies	0.32	0.09	0.20	0.12
Capital out of Operations	0.02	-	0.00	0.02
Purchased Services	1.52	0.78	1.66	(0.13)
Payments & Grants	0.57	0.35	0.48	0.09
Internal Expenses & Transfers	1.95	1.08	1.96	(0.01)
Total EXPENSES	\$ 9.01	\$ 4.30	\$ 8.65	\$ 0.36
REVENUES				
External Revenues	(5.86)	(2.21)	(4.42)	(1.44)
Internal Recovery & Fund Transfers	(1.20)	(0.75)	(1.30)	0.10
Total REVENUES	\$ (7.07)	\$ (2.96)	\$ (5.73)	\$ (1.34)
Total Municipal Enforcement (incl. Parking)	\$ 1.94	\$ 1.34	\$ 2.92	\$ (0.98)

Emergency Services - \$0.49 million unfavourable

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

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	37.65	18.29	37.96	(0.31)
Materials & Supplies	0.78	0.51	0.90	(0.12)
Capital out of Operations	0.01	0.02	0.02	(0.01)
Purchased Services	1.85	0.60	1.89	(0.05)
Payments & Grants	0.05	0.04	0.04	0.01
Internal Expenses & Transfers	2.21	2.01	2.22	(0.01)
Total EXPENSES	\$ 42.54	\$ 21.47	\$ 43.03	\$ (0.49)
REVENUES				
External Revenues	(0.55)	(0.32)	(0.56)	0.00
Internal Recovery & Fund Transfers	(0.03)	(0.02)	(0.03)	0.00
Total REVENUES	\$ (0.58)	\$ (0.33)	\$ (0.59)	\$ 0.01
Total Emergency Services	\$ 41.96	\$ 21.14	\$ 42.44	\$ (0.49)

Recreation and Culture - \$0.23 million unfavourable

The projected variance shown below is primarily due to projected revenue loss of \$3.85 million given the closure of various facilities and reduced programming at the beginning of 2022 partially offset by savings of \$2.63 million in personnel for various vacancies. Savings are also projected in materials and supplies (\$0.77 million) primarily for utilities given the closure of various facilities and reduced programming at the beginning of 2022.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	24.45	9.08	21.82	2.63
Materials & Supplies	5.39	1.94	4.62	0.77
Capital out of Operations	0.09	0.05	0.09	(0.01)
Purchased Services	5.10	1.93	5.03	0.07
Payments & Grants	1.41	0.53	1.25	0.16
Internal Expenses & Transfers	5.00	3.73	4.99	0.00
Total EXPENSES	\$ 41.42	\$ 17.27	\$ 37.80	\$ 3.62
REVENUES				
External Revenues	(21.10)	(4.46)	(17.25)	(3.85)
Internal Recovery & Fund Transfers	(0.64)	(0.15)	(0.65)	0.00
Total REVENUES	\$ (21.74)	\$ (4.61)	\$ (17.90)	\$ (3.85)
Total Recreation and Culture	\$ 19.68	\$ 12.66	\$ 19.91	\$ (0.23)

Oakville Transit - \$1.27 million favourable

The projected variance shown below is primarily due to savings on personnel services and taxi usage for specialized transit trips which are partially offset by

higher fuel costs and revenue loss. Higher fuel rates, as discussed in the Program Variance section of the report, have resulted in a projected unfavourable variance of \$1.04 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 \$0.84 million partially offset by a \$0.24 million supplementary Transit Safe Restart Agreement (SRA) grant 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	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	22.33	9.04	19.70	2.63
Materials & Supplies	4.79	2.80	5.88	(1.09)
Capital out of Operations	0.01	0.00	0.01	0.00
Purchased Services	4.04	1.97	3.77	0.27
Payments & Grants	1.00	0.73	0.94	0.06
Internal Expenses & Transfers	4.66	4.64	4.65	0.01
Total EXPENSES	\$ 36.82	\$ 19.19	\$ 34.94	\$ 1.88
REVENUES				
External Revenues	(5.54)	(2.28)	(4.93)	(0.60)
Internal Recovery & Fund Transfers	(2.00)	(1.96)	(1.99)	(0.01)
Total REVENUES	\$ (7.53)	\$ (4.24)	\$ (6.92)	\$ (0.62)
Total Oakville Transit	\$ 29.29	\$ 14.95	\$ 28.02	\$ 1.27

Corporate Support Services - \$1.78 million favourable

The projected variance shown below is primarily due to \$1.71 million in personnel savings for various vacancies as the town continues to look to fill vacant positions.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	29.34	12.47	27.64	1.71
Materials & Supplies	1.13	0.67	1.07	0.06
Capital out of Operations	0.04	0.02	0.04	(0.00)
Purchased Services	9.17	4.18	9.14	0.03
Payments & Grants	0.69	0.38	0.68	0.01
Internal Expenses & Transfers	0.60	0.29	0.60	0.00
Total EXPENSES	\$ 40.98	\$ 18.01	\$ 39.17	\$ 1.81
REVENUES				
External Revenues	(2.43)	(1.11)	(2.48)	0.05
Internal Recovery & Fund Transfers	(3.81)	(2.04)	(3.72)	(0.08)
Total REVENUES	\$ (6.23)	\$ (3.15)	\$ (6.20)	\$ (0.03)
Total Corporate Support Services	\$ 34.75	\$ 14.86	\$ 32.97	\$ 1.78

Community Development - \$2.33 million favourable

The projected variance shown below is primarily due to \$1.42 million in personnel savings for various vacancies as the town continues to look to fill vacant positions and \$1.22 million in additional revenue primarily related to Planning deferred revenue being earned as planning applications meet various milestones.

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	14.58	5.73	13.16	1.42
Materials & Supplies	0.08	0.02	0.05	0.03
Capital out of Operations	0.01	0.00	0.00	0.01
Purchased Services	0.65	0.28	0.70	(0.05)
Payments & Grants	0.14	0.06	0.14	0.01
Internal Expenses & Transfers	10.76	6.95	10.72	0.03
Total EXPENSES	\$ 26.23	\$ 13.05	\$ 24.78	\$ 1.45
REVENUES				
External Revenues	(19.69)	(10.21)	(20.91)	1.22
Internal Recovery & Fund Transfers	(2.64)	(1.21)	(2.30)	(0.34)
Total REVENUES	\$ (22.33)	\$ (11.42)	\$ (23.21)	\$ 0.88
Total Community Development	\$ 3.90	\$ 1.63	\$ 1.56	\$ 2.33

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.

Operating Budget Request

The Winter Recreation Strategy was originally developed in 2020 to offer safe recreational options during the early days of the pandemic. Staff are recommending that the strategy continue for the 2022/23 season. The offerings will include the festive light installation in Coronation Park, town operated outdoor skating rinks, cross country skiing and snowshoeing options on select trails, winter pickleball/tennis/cycling and ball hockey as well as access to select public washrooms. It is recommended that the one-time cost for the 2022/2023 season in the amount of \$448,600 be funded from the Tax Stabilization reserve. The longer

term approach will be reviewed as part of the 2023 Parks, Recreation and Library Master Plan work that will begin this fall.

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$684.1 million. During this period, total expenditures of \$92.0 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$351.7 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)
46602104 North Park - Community Centre and Library	80,574,000	17,059,919	17,373,781
52212102 North Park Sports Park - South Parcel	15,606,000	12,973,781	13,166,916
53332101 Road Resurfacing and Preservation Program	14,545,000	10,778,043	14,349,016
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,309,200	6,879,715	12,090,011
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	1,957,423	29,223,739
71102205 Sixteen Mile Library Portable Relocation	2,527,500	1,884,634	1,884,634
52212010 Bronte Green (Merton) Parks and NHS Trails	2,991,500	1,870,509	2,917,272
36101915 Amanda Tax System Replacement	4,072,400	1,483,979	1,590,226
36102209 Hardware - Endpoints	2,735,700	1,155,082	1,155,082
Total	\$ 189,105,300	\$ 56,043,086	\$ 93,750,677

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
52252112	Shipyards Park Stairs Rehab	\$ 72,000	Capital Reserve	Additional funds to cover costs to satisfy the Region's offsetting request (due to watermain location), the entire footing system of the staircase was required to be offset by more than 1.0m from the design location, which also required additional structural steel for the supporting frame.
54412002	Electric Bus Needs Assessment	\$ 30,000	Ontario Gas Tax Reserve	Additional funds to cover more consultant involvement than originally anticipated for the electrification of Transit fleet.
54412101	Supervisory Vehicle Replacement	\$ 16,000	Transit Equipment Reserve	Additional funds to cover extra cost of a supervisor support vehicle. Due to supply chain shortages and global pricing increases for automotive components coupled with labor shortages have resulted in higher vehicle prices. Kennedy Ford sales was the only compliant bidder that responded to RFQ-8-2022.

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 \$1.45 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
Net Impact	\$ 6,399.7	\$ 4,951.0	\$ 1,448.6	\$ 815.1	\$ 633.5	\$ 1,448.6

Capital Budget Request

42102110 Accommodation Needs

Over the past couple of years, hybrid work environments have become acceptable in government organizations (Toronto, Mississauga, Calgary, Ottawa, etc). Many private companies have been working hybrid for years but, more recently due to the pandemic, government organizations have adopted this style of hybrid work. A hybrid work environment allows staff increased flexibility to work remotely and has become the norm for the work environment. In Oakville, a Hybrid Office Project team will implement a corporate master accommodation plan for a new physical office model including opportunities and challenges, standards of space assignment, redefinition of public vs private space, financial impact, potential cost savings, phased in approach, and a change management plan. This is a multiple year project anticipate for implementation in 2023 to 2026.

In March 2020, all Oakville workplace retrofits were temporarily paused as the organization had just implemented a remote work policy and did not yet have impact information that would inform future accommodation decisions. As a result, there have been no significant internal retrofits over the past two years. While the town has been operating a hybrid office model prototype, the physical environment has not been adjusted so there are significant areas of office space that have minimum or no occupancy for the majority of the business week. Staff have now successfully transitioned to the new hybrid model and have established their in-office schedules thus implementing a physical work environment that supports hybrid work styles should happen as well.

Staff are recommending that the 2022 capital budget be amended to add \$504,000 to project 42102110 Accommodation Needs funded from the Capital Reserve to start consulting work in 2022 and some preliminary construction at town hall to make way for implementation of the Master Accommodation Plan in 2023 to 2026. The balance of the funding needed will be considered as part of the 2023 budget process.

New project request – Wedgewood pool

Significant repairs are required for Wedgewood pool in 2023 including replacing the pool liner and skimmer lines. Our trusted pool contractor has confirmed that the pool cannot operate another season in its current condition. Due to the increased demand for our outdoor pools since the start of the pandemic, staff would prefer not to complete the work over the summer months which would require the pool to be closed. The overall project would also address the accessibility items related to improving the paths of travel and other barrier removals coupled with exterior façade improvements and roof replacement. The preferred timeline would be to complete the work during April 1 to June 1, 2023. In order to accommodate this advanced schedule, all of the design, specification of work and tender documents would need to be completed before the end of 2022.

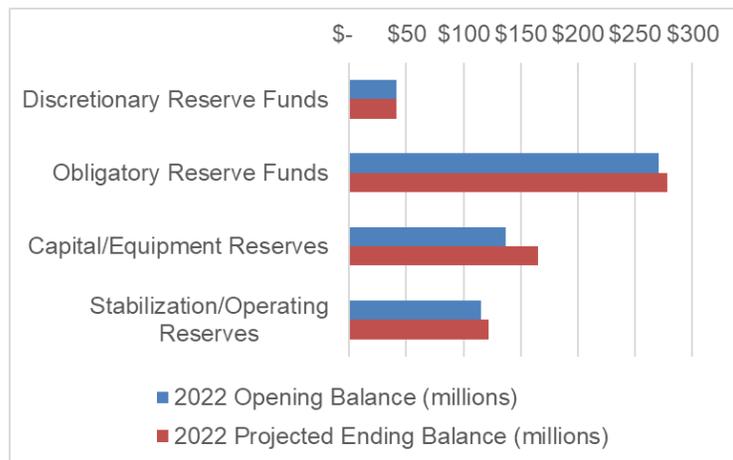
Staff are recommending that the 2022 capital budget be amended to add a new project in the amount of \$136,000 funded from the Building Maintenance reserve fund for design and consulting fees related to repairs needed at Wedgewood pool. The balance of the funding needed for the repairs will be included in the 2023 capital forecast.

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 relatively stable over the course of the year. Capital related reserves have increased during the year, as a result of the sale of residential subdivision lands at the old Oakville Trafalgar Memorial Hospital site and the transfer of lands for the North Park Community Centre and Library. 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 increase from \$270 million to \$278 million, as expected revenue exceeds current year capital needs. 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 \$137 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 June 30, 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 6/30/2022
		Contributions	Transfers	
Cemetery Marker Care	366.3	5.3	-	371.6
Cemetery Perpetual Care	6,028.4	61.3	-	6,089.7
Library - Halton Information Providers	115.2	29.8	-	145.1
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	2.0	-	8.3
Total	6,622.9	103.4	-	6,726.3

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 June 30, 2022, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$7.1 million, on a portfolio of cash and investments totaling \$825.3 million (book value). The annualized rate of return based on average cash and investment holdings was 1.86%, 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 aggressively tightening monetary policy in response to increased economic activity and heightened inflation. The BOC has increased the key interest rate by 3% over the course of 2022, from the effective lower bound of 0.25%. Following a full percentage point increase at its July meeting, the Bank of Canada raised the rate an additional 0.75% in September with the hopes of taming inflation. Along with a corresponding increase to the town's bank rate, fixed income yields have risen as a result of inflationary expectations. Appendix F provides details on the components of the town's investment portfolio.

Inflation Outlook

As previously discussed in the 2023 Budget Forecast and Direction report dated July 26, 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. In June, the annual headline inflation rate hit 8.1% year over year, marking the fastest pace since 1983. In the BOC's July Monetary Policy Report, inflation forecasts have been revised up by almost 2 percentage points to 7.2% in 2022, by 1.8 percentage points to 4.6% in 2023, and by 0.2 percentage points to 2.3% in 2024. Some relief came with the July inflation reading dropping to 7.6% year over year, which was the first pull-back in the annual inflation rate in just over a year. There remains significant volatility in many areas, as a drop in gasoline prices drove the decline, but other areas such as natural gas and services increased. The elevated inflationary environment is likely to remain and have an impact on both operational and capital costs for the town.

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 and the North Park Development Update in June, \$36 million in development charge (DC) supported debt has been approved for the North Park Community Centre and Library. The Region completed a debt issuance in June, for which \$10 million was 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 2.9% 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. As of June 30, the town held \$178 million in securities, \$138 million (78%) 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

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