

REPORT

Council

Meeting Date: December 19, 2022

FROM: Finance Department

DATE: December 6, 2022

SUBJECT: September 30th, 2022 Financial Results

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the staff report dated December 6, 2022, entitled *September 30, 2022 Financial Results* from the Finance department, be received.
2. That the 2022 capital budget be amended to add a new project (53512202 Parkade Rehabilitation) in the amount of \$300,000 funded from the Parking reserve for a consultant to develop rehabilitation plans for repairs required at the downtown parking garage.
3. That the 2022 capital budget be amended to add \$410,000 to project 54412201 Major Vehicle Refurbishment funded from the Capital reserve to cover the higher cost of bus refurbishment based on quotations received.
4. That the 2022 capital budget be amended to refinance \$75,000 from Capital reserve to community benefits charges for project 33102001 Community Benefit Charge and Development Charge Studies.

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 September 30, 2022.
- The total projected town variance after reserve transfers is \$1.62 million favourable or 0.7% 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 \$1.69 million for fuel and an unfavourable variance of \$1.07 million for winter control. Town policy is to fund unfavourable variances for these items from reserves if required.
- Total capital expenditures of \$105.4 million have been incurred year to date.

- A total of 46 capital projects have been identified for closure this period resulting in \$4.63 million being returned to reserves and reserve funds.
- A total of 15 tendered contracts and 5 single source awards in excess of \$100,000 were awarded during this period.
- Inflation has eased since the June high of 8.1%, with annual headline inflation coming in at 6.9% in October. Many measures of core inflation are in the 5% range, however the recent rise in energy costs has slowed further easing. Capital project budgets have been under significant pressure due to the rising cost of construction, indicated by the non-residential Construction Price Index increase of 15.6% year over year in Q3, which amounts to a total 29% increase over the last two years. Rising costs have proved challenging for capital projects that are at the procurement stage, as supply chain and commodity volatility have had a major impact on pricing.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2022 to September 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:

N/A

OPERATING BUDGET

Based on the results for this period, the total projected town variance after policy related and recommended transfers to reserves is \$1.62 million favourable or 0.7% of the tax levy.

	2022	2022	2022	2022
\$ Millions	Annual	Q3 Actuals+	Q3 Year-end	Variance to
	Budget	Commitments	Projection	Budget
Emergency Services	41.96	32.29	43.30	(1.34)
Road Network	27.79	24.78	27.46	0.33
Oakville Transit	29.29	20.73	27.52	1.77
Recreation and Culture	19.68	14.80	19.52	0.16
Parks and Open Spaces (incl. Cemetery and Harbours)	20.30	15.81	19.64	0.67
Oakville Public Library	11.07	8.30	10.81	0.26
Community Development	3.90	2.58	1.06	2.84
Political Governance	3.90	2.40	3.71	0.19
Municipal Enforcement (incl. Parking)	1.94	1.78	2.51	(0.57)
Corporate Support Services	34.75	23.07	31.88	2.87
Total Program Variance	\$ 194.57	\$ 146.54	\$ 187.39	\$ 7.17
Corporate Hearings & Litigation	0.50	0.22	0.43	0.07
Corporate Revenue & Expenses	(195.07)	(190.35)	(191.48)	(3.58)
Town Variance before transfers	\$ -	\$ (43.59)	\$ (3.66)	\$ 3.66
Policy Related and Recommended Transfers for Programs:				
Transfer (to)/from Building Enterprise Reserve				(1.39)
Transfer (to)/from Cemetery Reserve				(0.23)
Transfer (to)/from Harbours Reserve fund				(0.40)
Transfer (to)/from Parking Reserve fund				not recommended
Transfer (to)/from Election Reserve				(0.03)
Total Town Variance after transfers				\$ 1.62

As shown above, the total projected Program variance is \$7.17 million favourable. Corporate Revenue & Expenses includes additional supplementary taxes of \$2.46 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 \$3.58 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 \$3.66 million favourable.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$1.39 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, Harbours and Election are projecting surpluses which town staff will recommend be transferred to their respective reserves and reserve funds as normal at year-end. 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 \$1.62 million favourable representing 0.7% of the tax levy. This also includes a projected unfavourable variance of \$1.69 million for fuel given the significant increase in fuel rates and a projected unfavourable variance of \$1.07 million for winter control given several significant snowstorm 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 \$6.19 million is projected to year-end. As shown below, \$5.95 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 \$0.25 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	(5.14)
Parking	(0.51)
Transit	(0.24)
Other Programs	(0.05)
Total Revenue Loss	\$ (5.95)
Additional Costs	
Materials and Supplies	(0.01)
Purchased Services	(0.24)
Total Additional Costs	\$ (0.25)
Total estimated COVID-19 Impact at year-end	\$ (6.19)

Program Variance – by revenue/expense type

Despite the projected COVID-19 impact, higher fuel rates and additional winter control costs, the total projected program variance is \$7.17 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	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	176.71	119.37	164.33	12.38
Materials & Supplies	23.80	19.01	25.41	(1.61)
Capital out of Operations	0.50	0.21	0.50	(0.01)
Purchased Services	40.27	34.10	39.77	0.50
Payments & Grants	5.93	4.17	5.76	0.17
Internal Expenses & Transfers	39.34	34.30	40.29	(0.95)
Total EXPENSES	\$ 286.54	\$ 211.15	\$ 276.07	\$ 10.47
REVENUES				
External Revenues	(67.68)	(46.41)	(65.62)	(2.06)
Internal Recovery & Fund Transfers	(24.29)	(18.20)	(23.06)	(1.23)
Total REVENUES	\$ (91.97)	\$ (64.61)	\$ (88.68)	\$ (3.29)
Total Programs	\$ 194.57	\$ 146.54	\$ 187.39	\$ 7.17

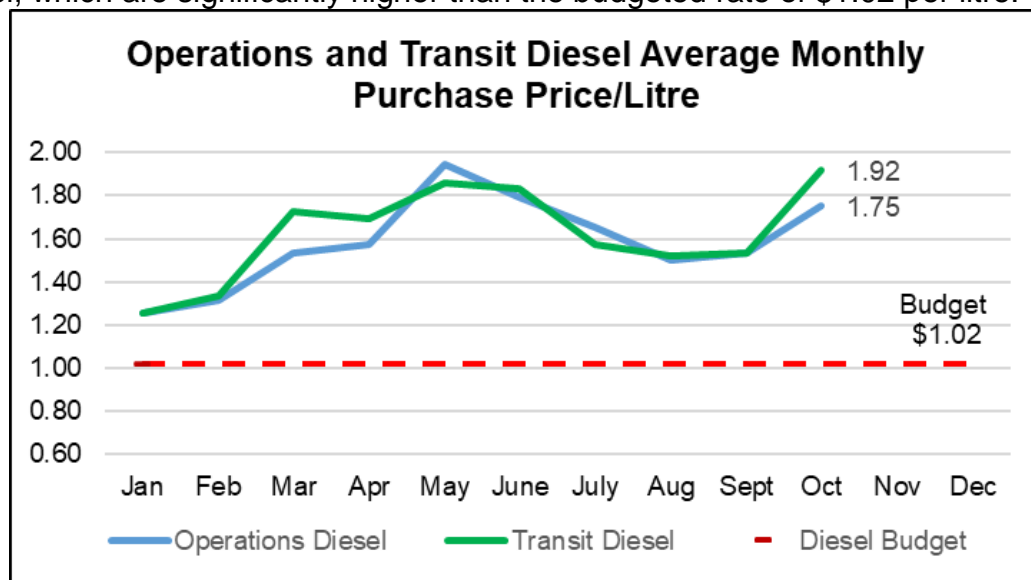
Personnel Services & Benefits - \$12.38 million favourable. These savings are higher than normal primarily due to reduced programming and services at the beginning of 2022 in Recreation & Culture and Transit and for various vacancies in other programs as the town continues to look to fill vacant positions.

Despite having a reputation of being an employer of choice, the town is facing increased challenges in attracting talent as a result of the current job market where demand for skilled workers is much greater than the supply. The town's traditional reliance on contract positions to address capital project and supplemental staffing needs is being significantly disrupted given readily available permanent positions elsewhere. Part-time positions are also proving difficult to fill. Competition in the labour market has increased and while the town is taking steps to mitigate these challenges, the ability to recruit qualified candidates remains a significant risk for the town for at least the near term. The 2023 proposed budget has been adjusted to include funding for marketing and branding initiatives to support a more active recruitment strategy as well as staffing resources to keep up with recruitment administration and outreach.

Compounding the recruitment challenges, the town is experiencing higher than normal turnover for full-time positions. Historically, the town's typical voluntary turnover rate averaged 3-4% each year. This has increased to an average of 5-6% during the pandemic. While the national average for turnover is much higher at 16%, this is greater than traditionally experienced at the town. The combined challenges of higher-than-normal turnover and the competitive recruitment market is

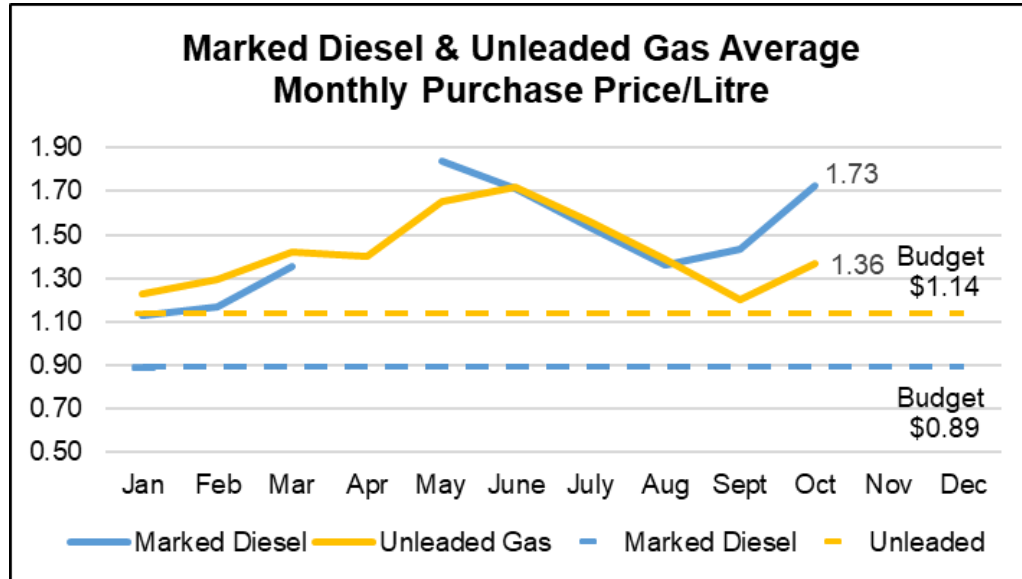
resulting in hiring delays and subsequent impacts to service levels and capital project implementation delays. From January to the end of September 2022, the town has actively recruited for approximately 171 full time and contract job postings, successfully hiring 140 staff with approximately 16% representing duplicate recruitments. This represents a significant increase in recruitment volume compared with our typical recruitment activity pre-pandemic attributed to the increase in turnover, subsequent internal movement, and unprecedented duplicate postings.

Materials & Supplies - \$1.61 million unfavourable. This is primarily attributed to fuel costs which are projected to be \$1.69 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 the town. As shown below, the average monthly cost per litre is \$1.75 for Operations diesel and \$1.92 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 - \$0.50 million favourable. This is primarily attributed to savings on taxi usage for specialized transit trips as ridership has been slower to recover from the COVID-19 pandemic as well as savings on programming related costs in Recreation and Culture given the closure of various facilities and reduced programming at the beginning of 2022. These savings are partially offset by a projected unfavourable variance 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 - \$2.06 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 which is partially offset by higher sport field rental revenue and building permit revenue.

Program Variance – by program

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

Emergency Services - \$1.34 million unfavourable

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

\$ Millions	2022	2022	2022	2022
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	37.65	28.50	38.67	(1.03)
Materials & Supplies	0.78	0.79	0.98	(0.20)
Capital out of Operations	0.01	0.02	0.03	(0.01)
Purchased Services	1.85	1.34	1.95	(0.11)
Payments & Grants	0.05	0.04	0.05	0.00
Internal Expenses & Transfers	2.21	2.13	2.22	(0.01)
Total EXPENSES	\$ 42.54	\$ 32.82	\$ 43.90	\$ (1.36)
REVENUES				
External Revenues	(0.55)	(0.50)	(0.57)	0.02
Internal Recovery & Fund Transfers	(0.03)	(0.03)	(0.04)	0.01
Total REVENUES	\$ (0.58)	\$ (0.53)	\$ (0.61)	\$ 0.02
Total Emergency Services	\$ 41.96	\$ 32.29	\$ 43.30	\$ (1.34)

Municipal Enforcement (including Parking) - \$0.57 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 Annual Budget	2022 Q3 Actuals+ Commitments	2022 Q3 Year-end Projection	2022 Variance to Budget
EXPENSES				
Personnel Services & Benefits	4.63	3.16	4.43	0.20
Materials & Supplies	0.32	0.13	0.20	0.12
Capital out of Operations	0.02	-	0.00	0.02
Purchased Services	1.52	1.17	1.61	(0.09)
Payments & Grants	0.57	0.41	0.46	0.11
Internal Expenses & Transfers	1.95	1.52	1.97	(0.02)
Total EXPENSES	\$ 9.01	\$ 6.39	\$ 8.67	\$ 0.33
REVENUES				
External Revenues	(5.86)	(3.58)	(4.76)	(1.10)
Internal Recovery & Fund Transfers	(1.20)	(1.03)	(1.40)	0.20
Total REVENUES	\$ (7.07)	\$ (4.62)	\$ (6.16)	\$ (0.91)
Total Municipal Enforcement (incl. Parking)	\$ 1.94	\$ 1.78	\$ 2.51	\$ (0.57)

Recreation and Culture - \$0.16 million favourable

The projected variance shown below is primarily due to projected revenue loss of \$4.62 million given the closure of various facilities and reduced programming at the beginning of 2022, partially offset by savings of \$3.50 million in personnel for various vacancies. Savings of \$0.98 million are also projected in materials and supplies, primarily for utilities given the closure of various facilities and reduced programming at the beginning of 2022.

\$ Millions	2022 Annual Budget	2022 Q3 Actuals+ Commitments	2022 Q3 Year-end Projection	2022 Variance to Budget
EXPENSES				
Personnel Services & Benefits	24.45	15.06	20.94	3.50
Materials & Supplies	5.39	3.21	4.41	0.98
Capital out of Operations	0.09	0.06	0.08	0.00
Purchased Services	5.10	3.21	4.74	0.36
Payments & Grants	1.41	0.67	1.26	0.15
Internal Expenses & Transfers	5.00	3.90	4.90	0.10
Total EXPENSES	\$ 41.42	\$ 26.10	\$ 36.33	\$ 5.09
REVENUES				
External Revenues	(21.10)	(11.09)	(16.48)	(4.62)
Internal Recovery & Fund Transfers	(0.64)	(0.21)	(0.33)	(0.32)
Total REVENUES	\$ (21.74)	\$ (11.30)	\$ (16.81)	\$ (4.94)
Total Recreation and Culture	\$ 19.68	\$ 14.80	\$ 19.52	\$ 0.16

Oakville Transit - \$1.77 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 \$1.11 million for fuel captured under materials & supplies in the table below.

Ridership has continued to be impacted by the pandemic with projected fare revenue loss of \$0.24 million which is 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	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	22.33	14.01	19.81	2.52
Materials & Supplies	4.79	4.35	5.96	(1.17)
Capital out of Operations	0.01	0.00	0.00	0.00
Purchased Services	4.04	2.75	3.63	0.41
Payments & Grants	1.00	0.83	0.95	0.05
Internal Expenses & Transfers	4.66	4.64	4.64	0.01
Total EXPENSES	\$ 36.82	\$ 26.58	\$ 35.00	\$ 1.82
REVENUES				
External Revenues	(5.54)	(3.88)	(5.49)	(0.04)
Internal Recovery & Fund Transfers	(2.00)	(1.97)	(1.99)	(0.01)
Total REVENUES	\$ (7.53)	\$ (5.86)	\$ (7.48)	\$ (0.05)
Total Oakville Transit	\$ 29.29	\$ 20.73	\$ 27.52	\$ 1.77

Community Development - \$2.84 million favourable

The projected variance shown below is primarily due to \$1.65 million in personnel savings for various vacancies as the town continues to look to fill vacant positions and \$1.47 million in additional revenue primarily related to Building permits and Planning deferred revenue being earned as planning applications meet various milestones. Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve.

\$ Millions	2022 Annual Budget	2022 Q3 Actuals+ Commitments	2022 Q3 Year-end Projection	2022 Variance to Budget
EXPENSES				
Personnel Services & Benefits	14.58	9.23	12.93	1.65
Materials & Supplies	0.08	0.03	0.04	0.04
Capital out of Operations	0.01	0.00	0.00	0.01
Purchased Services	0.65	0.39	0.57	0.09
Payments & Grants	0.14	0.12	0.15	(0.01)
Internal Expenses & Transfers	10.76	8.84	10.72	0.03
Total EXPENSES	\$ 26.23	\$ 18.61	\$ 24.42	\$ 1.81
REVENUES				
External Revenues	(19.69)	(14.32)	(21.16)	1.47
Internal Recovery & Fund Transfers	(2.64)	(1.70)	(2.20)	(0.44)
Total REVENUES	\$ (22.33)	\$ (16.03)	\$ (23.36)	\$ 1.03
Total Community Development	\$ 3.90	\$ 2.58	\$ 1.06	\$ 2.84

Corporate Support Services - \$2.87 million favourable

The projected variance shown below is primarily due to \$2.49 million in personnel savings for various vacancies as the town continues to look to fill vacant positions.

\$ Millions	2022 Annual Budget	2022 Q3 Actuals+ Commitments	2022 Q3 Year-end Projection	2022 Variance to Budget
EXPENSES				
Personnel Services & Benefits	29.34	19.48	26.85	2.49
Materials & Supplies	1.13	1.04	1.09	0.04
Capital out of Operations	0.04	0.03	0.06	(0.01)
Purchased Services	9.17	5.87	8.99	0.18
Payments & Grants	0.69	0.60	0.84	(0.15)
Internal Expenses & Transfers	0.60	0.54	0.78	(0.18)
Total EXPENSES	\$ 40.98	\$ 27.57	\$ 38.61	\$ 2.37
REVENUES				
External Revenues	(2.43)	(2.06)	(3.09)	0.66
Internal Recovery & Fund Transfers	(3.81)	(2.44)	(3.64)	(0.16)
Total REVENUES	\$ (6.23)	\$ (4.50)	\$ (6.73)	\$ 0.50
Total Corporate Support Services	\$ 34.75	\$ 23.07	\$ 31.88	\$ 2.87

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$675.6 million. Year to date, total expenditures of \$105.4 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$360.3 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 Sixteen Mile Sports Complex and Library	80,574,000	17,329,101	17,642,963
52212102 Sixteen Mile Sports Park - South Parcel	15,606,000	13,237,690	13,430,825
53332101 Road Resurfacing and Preservation Program	14,545,000	10,926,552	14,497,525
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,309,200	10,916,854	16,127,150
54412201 Major Vehicle Refurbishment	1,917,000	1,911,110	1,911,110
52212010 Bronte Green (Merton) Parks and NHS Trails	2,991,500	1,870,509	2,917,272
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	1,640,561	28,906,876
36101915 Amanda Tax System Replacement	4,072,400	1,512,427	1,618,674
36102209 Hardware - Endpoints	2,735,700	1,321,502	1,321,502
Total	\$ 188,494,800	\$ 60,666,306	\$ 98,373,897

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. The following transfers were approved by Commissioners.

Project	Transfer To/ (From)
42102216 Energy Management	50,000
42102115 Energy Management	(50,000)
36102220 Enterprise Payment Program	195,000
36101505 Active Network Class Registration & Booking	(195,000)
54212204 Transit Facility Capital Repairs and Replacement	14,200
54212102 Transit Facility Capital Repairs and Replacement	(14,200)
52242009 Postridge Park Playground and Splash Pad Rehab	130,000
52242109 Pine Glen Park Parking Lot	(78,000)
52252113 Tannery Park Prking Lot Rehab	(39,900)
52252114 Bronte Bluffs Park Parking Lot Rehab	(12,100)
52211804 Avonhead Ridge Trail Extension	10,000
52262205 Recreation Trail Accessibility Program	(10,000)

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
42102220	Facilities Emergency Repairs (Kinoak Arena)	\$ 175,000	Capital Reserve	During a recent inspection, it was noticed that the brine tank was empty. It was determined that several leaks had developed in the brine header trench. The funding is to replace the brine header trench and to recharge the system with new brine.

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 the projects are closed. As a result of the review this period, a total of 46 projects will be closed. These closures represent a net surplus of \$4.72 million, for which \$4.63 million will be returned to reserves and reserve funds as there was a shortfall of \$83 thousand in external revenues. 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)			External Revenues
	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	\$ 37,567.4	\$ 32,850.0	\$ 4,717.4	\$ 3,106.1	\$ 1,527.9	\$ 4,634.1	\$ 83.3

Three projects being closed exceed budget more than 10%; as the amounts are less than \$350,000 the CAO has the authority to approve the required funding to close these projects in accordance with town policy.

PROJECT TITLE	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT SHORTFALL/ FUNDING REQUIRED	%	EXPLANATION
42102116 Properties under 12,000 SF Maintenance and Repair	\$138,100	\$156,529	(\$18,429)	13%	Capital reserve will cover shortfall
52212012 FD20 - Busby Park Seawall	\$35,000	\$40,129	(\$5,129)	15%	Capital reserve will cover shortfall
52292102 Park Signage	\$75,000	\$87,144	(\$12,144)	16%	Capital reserve will cover shortfall

Capital Budget Request**53512202 Parkade Rehabilitation**

Proactively, the town conducts routine inspections of the parking garage through an external engineering expert, and repairs and maintenance work are performed to keep the building in safe and good working condition. These routine checks are done every two years and recommendations from the structural report help to create the Municipal Enforcement Services' annual and longer-term capital improvement plan.

As a result of the assessment conducted this year in April and additional testing in August and September, the consultant identified significant deterioration of structural components and provided the town with rehabilitation and repair recommendations. The nature and extent of the structural repairs will require complete closure of the garage for approximately 12 months, starting in mid to late 2023. The earliest this work could start is in spring 2023.

Staff recommend that the 2022 capital budget be amended to add a new project (53512202 Parkade Rehabilitation) in the amount of \$300,000, funded from the Parking reserve, to hire a consultant to develop in-depth rehabilitation plans to address the structural repairs required for the parking garage. Along with detailed plans, the consultant will advise the town on the specific start and duration of the garage closure. The 2023 budget will include a separate budget request in the amount of \$4,093,000 to be used for the contractor to complete the repairs.

54412201 Major Vehicle Refurbishment

The scope of major vehicle refurbishment is for the complete mechanical and structural mid-life refurbishment of Oakville Transit's buses. This consists of replacing the complete propulsion system and all mechanically related sub-components along with the replacement of any corroded structural components, new exterior paint and panels. The interior of the bus is also refurbished, including replacing all passenger seats and driver's seats, as well as rework of the complete heating and air conditioning system.

Based on quotations that have been received, price increases associated with transportation industry costs have become evident in this post COVID-19 environment. Increased shipping issues on a global scale, along with part component shortages, are directly impacting supply chains and driving costs up. Based on the age and severe duty cycle of transit buses, it is the recommendation of staff that these refurbishments are not deferred as doing so will result in more significant work needed at future dates, and in turn would result in higher spending.

Staff recommend that the 2022 capital budget be amended to add \$410,000 to project 54412201 Major Vehicle Refurbishment funded from the Capital reserve to cover the higher cost of bus refurbishment based on the quotations received.

33102001 Community Benefit Charge and Development Charge Studies

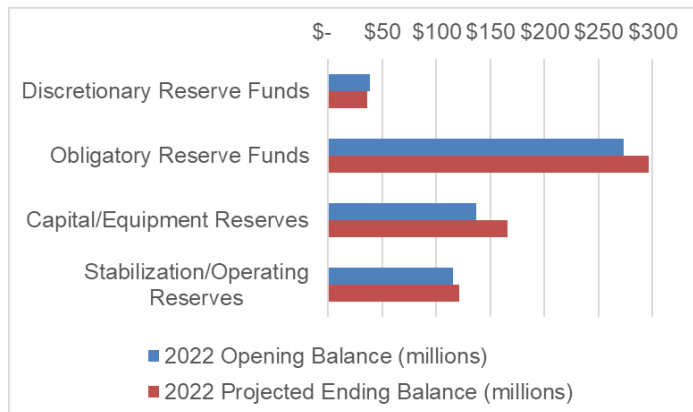
On September 6, 2022 Council approved the Community Benefits Charge Strategy and adopted Community Benefits Charge By-law 2022-069. The capital project listing set out in Chapter 4 of the Community Benefits Charge Strategy dated August 5, 2022, was approved subject to further annual review during the capital budget process. Included in the project listing is the Community Benefits Charge (CBC) Strategy project, which is now complete and was originally funded by capital reserve. Staff recommend that \$75,000 representing the portion of this project that relates to the completion of the CBC Strategy, be refinanced from capital reserve to community benefits charges. CBC collections are expected to amount to approximately \$1.3 million in 2022, providing sufficient funding for this refinancing.

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. The town passed the Community Benefits Charge (CBC) By-law 2022-069 on September 6, 2022. This is a new financing tool that can be used to recover capital costs for programs that are not being funded by development charges and parkland dedication. In response to the legislative changes, a reserve fund has been set up which contains all the CBC monies collected. As such, CBC reserve fund is included as an obligatory reserve fund similar to other reserve funds within this category (see Appendix D for more detail).

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 2022 opening 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 significantly 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 Sixteen Mile Sports Complex and Library. Equipment reserves will decrease slightly, as transfers to these reserves are less than the capital outlay anticipated.

Reserve Funds

Obligatory Reserve Funds, which include Development Charges, cash in lieu of Parkland, Community Benefits Charge, provincial Gas Tax and the Canada Community-Building Fund (formerly known as the Federal Gas Tax), are expected to increase from \$273 million to \$297 million, as expected revenue exceeds current year capital needs. The new CBC reserve fund is categorized as an Obligatory reserve fund and, as a result of legislative changes, includes activity for the new CBC, along with bonus zoning for increased height and density under section 37 of the Planning Act and former DC reserve funds for municipal parking. Prior year balances for these reserve funds have been recategorized and consolidated to the CBC reserve fund. 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 \$145 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 \$6.8 million at September 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 9/30/2022
		Contributions	Transfers	
Cemetery Marker Care	366.3	9.2	-	375.5
Cemetery Perpetual Care	6,028.4	91.5	-	6,120.0
Library - Halton Information Providers	115.2	56.2	-	171.5
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	163.9	-	6,786.9

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 September 30, 2022, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$13.1 million, on a portfolio of cash and investments totaling \$878 million (book value). The annualized rate of return based on average cash and investment holdings was 2.18%, with an average maturity of 5.5 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 3.50% over the course of 2022, from the effective lower bound of 0.25%. A further increase of 25-50 basis points is expected at the final BOC meeting in December to continue to calm inflation. Along with a corresponding increase to the town's bank rate, fixed income yields have risen as a result of inflationary expectations. The rapid rise in interest rates has resulted in a projected surplus of \$2.7 million for the town's investment income budget in 2022. 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. Some relief has come over the past few months, with the latest CPI reading from October coming in at 6.9%. While many measures of core inflation are now in the 5% range, the recent rise in energy costs has slowed further easing. Capital project budgets have been under significant pressure due to the rising cost of construction, indicated by the non-residential Construction Price Index increase of 15.6% year over year in Q3, which amounts to a total 29% increase over the last two years. These increases have proved challenging for capital projects that are at the procurement stage, as supply chain and commodity volatility have had a major impact on pricing. 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 Sixteen Mile Sports Complex 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 September 30, the town held \$177 million in securities, which has increased from \$162.5 million in Q3 2021. \$137 million, or 78%, are secured by letters of credit and the remainder is 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