



REPORT

Council

Meeting Date: April 24, 2023

FROM: Finance Department

DATE: April 11, 2023

SUBJECT: 2022 Financial Results and Surplus Disposition

LOCATION:

WARD: Town-wide

Page 1

RECOMMENDATION:

1. That the staff report dated April 11, 2023, entitled *2022 Financial Results and Surplus Disposition* from the Finance department, be received.
2. That the transfers to and from the Reserves and Reserve Funds and transactions contained in the report dated April 11, 2023 from the Finance department be approved.
3. That the \$10.51 million surplus less any required year-end adjustments be transferred to the Capital Reserve.
4. That the 2023 capital budget be amended to add \$325,000 to project 52212104 Memorial Park Special Project, funded from the Community Benefits Charge reserve fund (with collections under the former section 37 Bonus Zoning), for various lighting items in the park.
5. That the resurfacing of lower lot F to create additional parking spaces be funded from project 53511605 Lot Maintenance and Repair.
6. That the 2023 capital budget in project 46312304 Kinoak Arena - Concrete, Dasher Boards, Doors, Glass be used for the Glen Abbey Blue rink replacement work given the updated condition of the two rinks and that the project be renamed to Glen Abbey - Blue Rink Concrete, Dasher Boards, Glass.
7. That \$448,515 be transferred from the Capital Reserve to project 52220901 Bronte Heritage Waterfront Park Staff to close the project.
8. That an additional 2024 Budget Committee meeting be approved for June 19, 2023 at 5:30pm to appoint the 2024 Budget Committee chair and to receive the 2024 Budget Forecast report.

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 December 31, 2022.
- The total town variance after reserve transfers is \$10.51 million favourable or 4.7% of the tax levy.
- Total capital expenditures of \$75.8 million have been incurred in this period.
- A total of 37 capital projects have been identified for closure this period resulting in \$970,000 being returned to reserves and reserve funds.
- A total of 28 tendered contracts and 1 single source award in excess of \$100,000 were awarded during this period.
- 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 14.5% year over year in Q4 2022, which amounts to a total of 32% 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 continue to have had a major impact on pricing.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2022 to December 31, 2022 and covers all financial matters including operating budget, capital budget, reserve and reserve fund balances, investment and trust funds, and purchasing activities. Based on the unaudited financial results, the majority of town programs have a favourable variance. This is primarily due to savings in personnel costs though savings have been recognized in a number of other areas as well.

COMMENT/OPTIONS:**OPERATING BUDGET**

Based on the December 31st results, the total town variance after policy related and recommended reserve transfers is \$10.51 million favourable or 4.7% of the tax levy.

	2022	2022	2022
(\$ Millions)	Annual	Year-end	Variance to
	Budget	Actuals	Budget (\$)
Emergency Services	41.96	43.36	(1.41)
Road Network	27.79	25.68	2.11
Oakville Transit	29.29	25.45	3.84
Recreation and Culture	19.68	18.42	1.26
Parks and Open Spaces (incl. Cemetery and Harbours)	20.30	19.61	0.69
Oakville Public Library	11.07	10.64	0.43
Community Development	3.90	0.62	3.27
Political Governance	3.90	3.58	0.31
Municipal Enforcement (incl. Parking)	1.94	2.21	(0.27)
Corporate Support Services	34.75	31.14	3.61
Total Program Variance	\$ 194.57	\$ 180.73	\$ 13.84
Corporate Hearings & Litigation	0.50	0.37	0.13
Corporate Revenue & Expenses	(195.07)	(194.14)	(0.92)
Town Variance before transfers	\$ -	\$ (13.05)	\$ 13.05
Policy Related and Recommended Transfers for Programs:			
Transfer Oakville Public Library surplus (to)/from Tax Stabilization Reserve			(0.43)
Transfer (to)/from Building Enterprise Reserve			(1.42)
Transfer (to)/from Cemetery Reserve			(0.11)
Transfer (to)/from Harbours Reserve fund			(0.48)
Transfer (to)/from Parking Reserve fund			not recommended
Transfer (to)/from Election Reserve			(0.10)
Total Town Variance after transfers			\$ 10.51

As shown above, the total Program variance is \$13.84 million favourable and more information on these program variances can be found below. Corporate Revenue & Expenses has an unfavourable variance of \$0.92 million. 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. Transit Safe Restart Agreement (SRA) funding in the amount of \$2.15 million was received from the Provincial government to support with COVID-19 municipal transit pressures and recognized in the Transit program.

Corporate Revenue & Expenses also includes additional supplementary taxes of \$2.46 million as well as an adjustment of \$1.32 million to the tax appeal allowance. As the province has not gone forward with a reassessment as planned in 2021, the number of assessment appeals has decreased as any property that has already appealed their current value is not able to re-appeal it as per the Assessment Act

legislation and the Assessment Review Board's (ARB) rules. Since the majority of challenges to the last assessment have been completed, the town's allowance accrual must be decreased. Until there is reassessment, only properties that have not appealed their assessment prior, properties with changes, or new property on roll can appeal. If there are new appeals for 2023, they cannot be retroactive. When the province conducts their next assessment, the town expects the number of appeals to increase and the allowance will be re-examined at this time.

The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$13.05 million favourable.

Reserve transfers

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve resulting in a transfer to the reserve of \$1.42 million. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election to their own program specific reserves. Town staff are recommending that surpluses in Cemeteries, Harbours and Election be transferred to their respective reserves and reserve funds as normal at year-end. Parking continued to be impacted by the COVID-19 pandemic and experienced a deficit of \$0.21 million. Town staff are recommending that the transfer from the Parking reserve fund to cover the shortfall not occur in 2022 given the continued impact of the pandemic and the town's overall surplus which is similar to the approach taken with the Parking deficits in 2020 and 2021. Town staff are also recommending that the surplus for the Oakville Public Library be transferred to the Tax Stabilization reserve. After all policy related and recommended transfers, the total town variance after transfers is \$10.51 million favourable representing 4.7% of the tax levy.

Usual practice would be to recommend that the surplus be transferred to the Tax Stabilization Reserve; however, the balance in this reserve is healthy (\$69.4 million) and above the GFOA recommended level of two months own source revenue (\$45.9 million for the town). Therefore, town staff are recommending that the surplus be transferred to the General Capital Reserve given the size of the current capital program and to address inflation risks. The 2023 capital program of \$178.3 million and ten-year capital forecast of \$2.0 billion are substantial. Furthermore, inflation and 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. The recommendation to transfer the surplus to the General Capital Reserve will ensure that our capital program remains strong.

COVID-19 Impact

COVID-19 impacts of \$5.69 million were included in the 2022 budget along with \$5.69 million in Government support. Transit Safe Restart Agreement (SRA) funding in the amount of \$2.15 million was received from the Provincial government to support with COVID-19 municipal transit pressures and recognized in the Transit program. In addition to the budgeted COVID-19 impacts, a further \$5.55 million has been incurred. As shown below, \$5.35 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 \$0.20 million is attributed to additional cleaning, safety supplies and other pandemic related costs.

COVID-19 Impact (\$ Millions)	2022 Variance to Budget
Revenue Loss	
Recreation and Culture	(5.08)
Parking	(0.21)
Transit	(0.02)
Other Programs	(0.05)
Total Revenue Loss	\$ (5.35)
Additional Costs	
Purchased Services	(0.20)
Total Additional Costs	\$ (0.20)
Total estimated COVID-19 Impact at year-end	\$ (5.55)

Program Variance – by revenue/expense type

Despite the total estimated COVID-19 impact, the total Program variance is \$13.84 million favourable. The most significant variances are discussed below.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	176.71	165.17	11.54
Materials & Supplies	23.80	24.66	(0.86)
Capital out of Operations	0.50	0.32	0.17
Purchased Services	40.27	37.35	2.92
Payments & Grants	5.93	5.97	(0.05)
Internal Expenses & Transfers	39.34	40.18	(0.84)
Total EXPENSES	\$ 286.54	\$ 273.64	\$ 12.89
REVENUES			
External Revenues	(67.68)	(69.35)	1.67
Internal Recovery & Fund Transfers	(24.29)	(23.56)	(0.72)
Total REVENUES	\$ (91.97)	\$ (92.91)	\$ 0.94
Total Programs	\$ 194.57	\$ 180.73	\$ 13.84

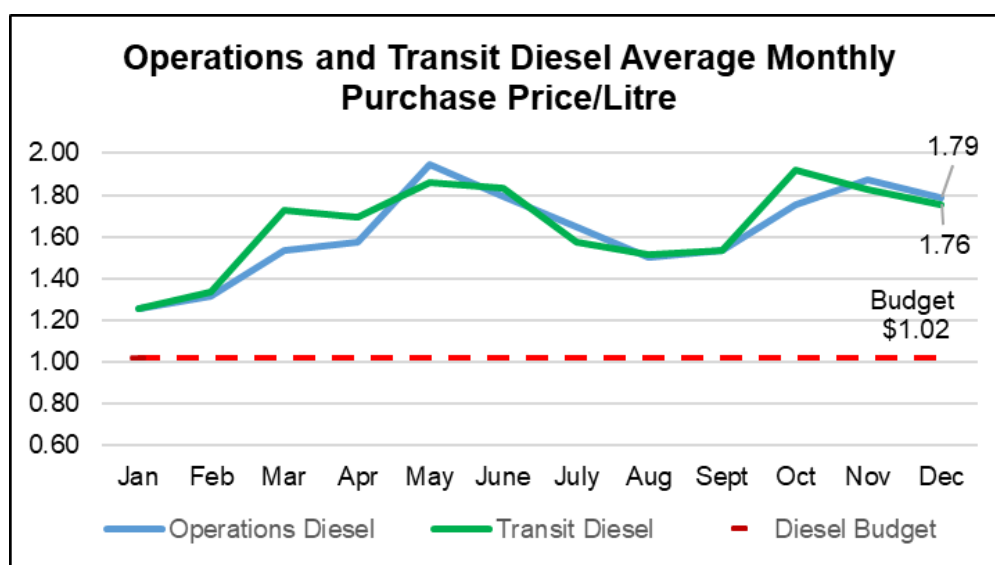
Personnel Services & Benefits - \$11.54 million favourable

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 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 faced increased challenges in 2022 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 projects and supplemental staffing needs was significantly disrupted given readily available permanent positions elsewhere. Part-time positions also proved difficult to fill. Compounding the recruitment challenges, the town experienced higher than normal turnover for full-time positions. Competition in the labour market has increased and while the town continues to take steps to mitigate these challenges, the ability to recruit qualified candidates remains a significant risk for the town at least in the near term. The 2023 budget was 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.

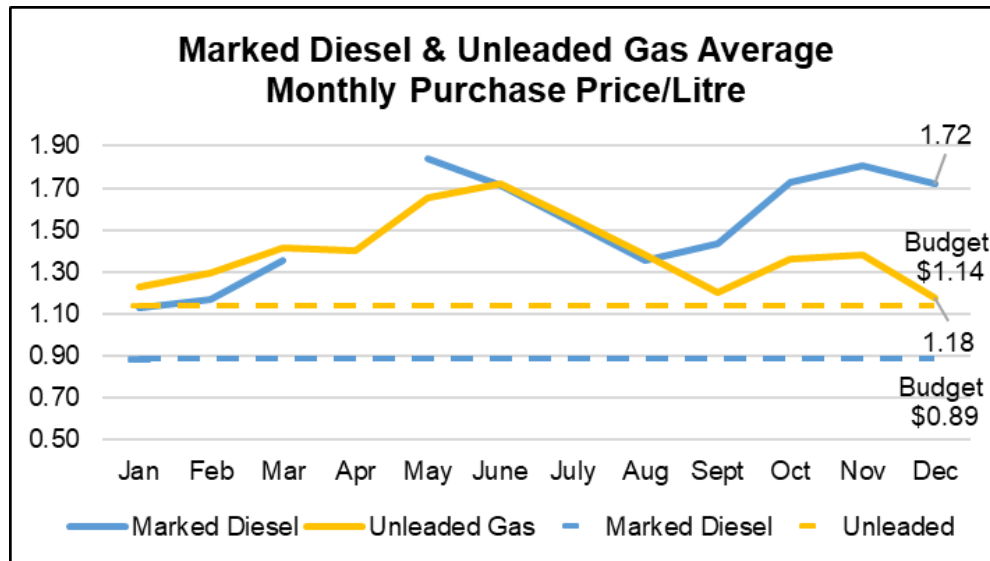
Materials & Supplies - \$0.86 million unfavourable

This is primarily attributed to higher fuel costs (\$1.56 million unfavourable variance) and various other materials and supplies which is partially offset by savings on utilities due to the closure of various facilities and reduced Recreation and Culture programming at the beginning of 2022. Staff monitored fuel rates very closely, particularly diesel which is the primary fuel used by the town. As shown below, the average monthly cost per litre was \$1.79 for Operations diesel and \$1.76 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 rate for marked diesel continued to be higher than the budgeted rate while the rate for unleaded gas had stabilized closer to the budgeted rate, as shown below.



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

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. However, given the overall town surplus, this transfer will not be required.

Purchased Services - \$2.92 million favourable

This is primarily attributed to savings on the Automated Speed Enforcement program, savings on taxi usage for specialized transit trips as ridership has been slower to recover from the COVID-19 pandemic, and 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 an unfavourable variance for winter control given several significant snow storm events in 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; however, given the overall town surplus, this transfer will not be required.

Internal Expenses & Transfers - \$0.84 million unfavourable

This is primarily related to higher internal charges for labour and vehicle/equipment usage which is offset by higher internal recoveries.

External Revenue - \$1.67 million favourable

This is primarily attributed to higher sport field rental revenue, additional revenue related to Building permits, and additional Planning deferred revenue being earned as planning applications meet various milestones. Also, \$2.15 million in Transit

Safe Restart Agreement (SRA) funding was received from the Provincial government in 2022 to support with COVID-19 municipal transit pressures. This is partially offset by revenue loss in Recreation and Culture given the closure of various facilities and reduced programming at the beginning of 2022 and revenue loss for Parking fees and fines.

Internal Recovery & Fund Transfers - \$0.72 million unfavourable

This is primarily due to lower recoveries of staff time from capital projects given the higher-than-normal turnover and gapping which is partially offset by higher recoveries for labour and vehicle/equipment usage.

Program Variance – by program

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

Emergency Services - \$1.41 million unfavourable

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

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	37.65	38.56	(0.91)
Materials & Supplies	0.78	1.03	(0.25)
Capital out of Operations	0.01	0.03	(0.01)
Purchased Services	1.85	2.16	(0.31)
Payments & Grants	0.05	0.04	0.01
Internal Expenses & Transfers	2.21	2.28	(0.08)
Total EXPENSES	\$ 42.54	\$ 44.10	\$ (1.56)
REVENUES			
External Revenues	(0.55)	(0.70)	0.15
Internal Recovery & Fund Transfers	(0.03)	(0.04)	0.01
Total REVENUES	\$ (0.58)	\$ (0.74)	\$ 0.16
Total Emergency Services	\$ 41.96	\$ 43.36	\$ (1.41)

Recreation and Culture - \$1.26 million favourable

The variance is primarily due to \$3.32 million in personnel savings, \$1.24 million in materials and supplies including utilities, and \$0.74 million in purchased services including instructor and performer fees which are partially offset by \$4.50 million in revenue loss given the closure of various facilities and reduced programming at the beginning of 2022.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	24.45	21.13	3.32
Materials & Supplies	5.39	4.15	1.24
Capital out of Operations	0.09	0.08	0.00
Purchased Services	5.10	4.36	0.74
Payments & Grants	1.41	1.27	0.13
Internal Expenses & Transfers	5.00	4.30	0.69
Total EXPENSES	\$ 41.42	\$ 35.29	\$ 6.13
REVENUES			
External Revenues	(21.10)	(16.60)	(4.50)
Internal Recovery & Fund Transfers	(0.64)	(0.27)	(0.37)
Total REVENUES	\$ (21.74)	\$ (16.87)	\$ (4.87)
Total Recreation and Culture	\$ 19.68	\$ 18.42	\$ 1.26

Road Network - \$2.11 million favourable

The variance is primarily due to \$1.26 million in personnel savings for various vacancies, higher recoveries for vehicle usage, and savings in purchased services from the Automated Speed Enforcement program. The overage in materials and supplies is primarily due to fuel costs and additional work done for the Region which is fully recoverable and reflected in the favourable variance for external revenues.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	16.89	15.63	1.26
Materials & Supplies	6.53	7.39	(0.86)
Capital out of Operations	0.11	0.00	0.10
Purchased Services	10.97	10.62	0.35
Payments & Grants	1.34	1.35	(0.00)
Internal Expenses & Transfers	7.47	7.81	(0.34)
Total EXPENSES	\$ 43.30	\$ 42.79	\$ 0.52
REVENUES			
External Revenues	(5.36)	(6.11)	0.75
Internal Recovery & Fund Transfers	(10.16)	(11.00)	0.84
Total REVENUES	\$ (15.51)	\$ (17.11)	\$ 1.60
Total Road Network	\$ 27.79	\$ 25.68	\$ 2.11

Community Development - \$3.27 million favourable

The variance is primarily due to \$1.74 million in personnel savings for various vacancies as the town continues to look to fill vacant positions and \$1.65 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 resulting in a transfer to the reserve of \$1.42 million.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	14.58	12.84	1.74
Materials & Supplies	0.08	0.05	0.03
Capital out of Operations	0.01	0.00	0.01
Purchased Services	0.65	0.56	0.10
Payments & Grants	0.14	0.14	0.00
Internal Expenses & Transfers	10.76	10.73	0.02
Total EXPENSES	\$ 26.23	\$ 24.33	\$ 1.90
REVENUES			
External Revenues	(19.69)	(21.34)	1.65
Internal Recovery & Fund Transfers	(2.64)	(2.36)	(0.28)
Total REVENUES	\$ (22.33)	\$ (23.70)	\$ 1.37
Total Community Development	\$ 3.90	\$ 0.62	\$ 3.27

Corporate Support Services - \$3.61 million favourable

The variance is primarily due to \$2.54 million in personnel savings for various vacancies and \$1.66 million in savings on purchased services primarily related to contracted services. Higher external revenue relates to additional Municipal Accommodation Tax revenue while lower internal recovery and fund transfers relate to Tax Stabilization funding which was not required in 2022 given the town surplus.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	29.34	26.80	2.54
Materials & Supplies	1.13	1.11	0.02
Capital out of Operations	0.04	0.03	0.01
Purchased Services	9.17	7.52	1.66
Payments & Grants	0.69	0.84	(0.15)
Internal Expenses & Transfers	0.60	0.79	(0.19)
Total EXPENSES	\$ 40.98	\$ 37.09	\$ 3.89
REVENUES			
External Revenues	(2.43)	(3.08)	0.65
Internal Recovery & Fund Transfers	(3.81)	(2.87)	(0.94)
Total REVENUES	\$ (6.23)	\$ (5.95)	\$ (0.29)
Total Corporate Support Services	\$ 34.75	\$ 31.14	\$ 3.61

Oakville Transit - \$3.84 million favourable

The variance is primarily due to \$2.36 million savings on personnel services and \$2.20 million in additional external revenue which includes \$2.15 million in Transit Safe Restart Agreement (SRA) funding received from the Provincial government in 2022 to support with COVID-19 municipal transit pressures based on eligible expenditures. This is partially offset primarily by higher fuel rates reflected in the \$1.21 million unfavourable variance in materials and supplies.

(\$ Millions)	2022 Annual Budget	2022 Year-end Actuals	2022 Variance to Budget (\$)
EXPENSES			
Personnel Services & Benefits	22.33	19.97	2.36
Materials & Supplies	4.79	6.00	(1.21)
Capital out of Operations	0.01	0.00	0.00
Purchased Services	4.04	3.61	0.43
Payments & Grants	1.00	0.95	0.05
Internal Expenses & Transfers	4.66	4.65	0.01
Total EXPENSES	\$ 36.82	\$ 35.18	\$ 1.64
REVENUES			
External Revenues	(5.54)	(7.74)	2.20
Internal Recovery & Fund Transfers	(2.00)	(1.99)	(0.01)
Total REVENUES	\$ (7.53)	\$ (9.73)	\$ 2.20
Total Oakville Transit	\$ 29.29	\$ 25.45	\$ 3.84

CAPITAL BUDGET

For active projects in this period, the total cumulative approved capital budget is \$653.3 million with total expenditures of \$75.8 million bringing the total life-to-date or cumulative spending to \$311.4 million. Appendix B shows more information on total approved budget and expenditures by program.

Some of the major projects underway with 2022 spending 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	16,581,741	16,895,603
53332101 Road Resurfacing and Preservation Program	15,995,000	8,430,675	12,001,648
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,309,200	7,764,349	12,974,644
52272209 EAB Management Program	2,331,750	1,916,650	1,916,650
52212010 Bronte Green (Merton) Parks and NHS Trails	2,991,500	1,893,913	2,940,676
36102209 Hardware - Endpoints	2,735,700	1,617,100	1,617,100
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	1,199,944	28,466,260
52212102 Sixteen Mile Sports Park - South Parcel	15,606,000	1,000,456	1,193,592
Total	\$ 186,287,150	\$ 40,404,829	\$ 78,006,173

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 transfer was approved by Commissioners in this period.

Project	Transfer To/ (From)
43302206 Protective Clothing Replacement	38,830
43302006 Protective Clothing Replacement	(38,830)

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
36101906	Salesforce Upgrade & Enhancement	\$ 55,000	Capital Reserve	While the team was able to successfully negotiate \$629,775 in savings from the original bid amount, the 2 year contract term for support and maintenance has put this project over budget.
43302002	New Vehicles for Fire Prevention	\$ 23,600	Fire Growth-related Development Charge Reserve Fund	The reserve transfer is necessary as the price of vehicles have escalated significantly in the past two years and the supply and availability of hybrid vehicles is also very challenged.
51322202	Roads and Works Vehicle Replacement	\$ 145,000	Roads and Parks Equipment Reserve	Additional funding is required mainly due to market conditions, production capacity, significantly increased cost of material and inability of manufacturer to hold to the model year as bid and refusal to maintain their price protection in light of these uncertainties. These conditions are a direct result of the global pandemic. All issues were unforeseen during budget preparation.

As part of ongoing capital project management, staff review the status of all active projects each quarter to ensure that as projects are completed and an asset goes into service, projects are closed. During the review this period, a total of 37 projects will be closed, with a net surplus of \$995,000. This includes \$670,000 to be returned to town capital and equipment reserves, \$300,000 to be returned to development charge and program specific reserve funds, and \$25,000 in grant funding that was not required due to lower project spending. 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	\$ 7,637.6	\$ 6,643.2	\$ 994.4	\$ 669.9	\$ 299.8	\$ 969.8	\$ 24.7

One project being closed exceeded budget by 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
36102102 GIS System Data Services	\$30,000	\$34,286	(\$4,286)	14%	Capital reserve will cover shortfall

Capital Budget Requests

52212104 Memorial Park Special Project

The development of Memorial Park goes back more than two decades, however, over the past few years, the town has been able to successfully add many new amenities to the park. Most recent improvements include the installation of an outdoor fitness area, a public washroom facility, a basketball court, an off-leash dog area, and a large accessible playground. There is also a large, paved trail system within the park, that allows users to go through and around the park in many ways, but only a small section of pathways near the washroom and playground are currently lit. The addition of pedestrian lighting would represent a much needed improvement to the community as it would provide for a safer environment for those walking to and from the Dundas and Trafalgar node – home of a transit hub and many retail establishments.

Parks and Open Space staff considered this potential lighting project that could be funded by local ‘bonusing’ enhancements that were provided by nearby high-density developments under the former section 37 of the Planning Act and commenced the design work immediately. Staff propose to light a major north-south route that goes through the western half of the park (across a small pedestrian bridge), the large oval loop that exists in the center of the park and the recently installed basketball court in the northeast corner of the park. All of this would be serviced by the existing electrical service that is contained within the washroom building.

The design work is complete and can be tendered when the funding becomes available; this would hopefully allow the town to complete the park improvement within the 2023 calendar year. Staff recommend that the 2023 capital budget be amended to add \$325,000 to project 52212104 Memorial Park Special Project funded from the Community Benefits Charge reserve fund (with collections under the former section 37 Bonus Zoning) for the lighting items describe above.

53511605 Lot Maintenance and Repair

Proactively, the town conducts routine inspections of the existing parking lots to ensure that they are maintained in good repair. Work required can include resurfacing, replacing bollards, installing signage, and repairing potholes to keep the parking infrastructure in safe and good working condition. Capital project 53511605 Lot Maintenance and Repair is currently in place to fund such projects on the existing commercial parking lots with a remaining budget of \$200,100.

As a result of an assessment of parking areas conducted in early 2023, the lower lot F area (attached to 125 Randall Street, site of the former Fire Hall 3) has been reviewed for new parking spaces to be added to the parking supply in downtown Oakville. The preliminary review has identified a gain of between 16-18 parking spaces on this lot. This lot is currently attached to the upper lot F and is not currently being used for an alternate use. Realty Services has approved a short term temporary hold on the sale of 125 Randall to allow Municipal Enforcement to create a commercial parking area, thereby increasing parking supply. The transfer of the lower lot is in combination with the upper lot which is currently being used by Municipal Enforcement and will allow for commercial parking in both areas to continue to the approved temporary period of 5-7 years. The addition of these spaces in lower lot F will assist with parking mitigation in the downtown BIA given the upcoming closure of the parking garage in fall 2023. The earliest the work could start is in summer 2023 and would include resurfacing (previously completed in 1999), additional signage, lighting and an assessment of the retaining wall which may result in additional repair. The estimated cost is \$160,000. The estimated revenue is \$11,500 annually for a total of \$57,500 over 5 years or \$80,500 over 7 years depending on the timing of the sale of the property.

Staff recommend that resurfacing and associated costs of lower lot F to create additional parking spaces be funded from the budget remaining in project 53511605 Lot Maintenance and Repair.

46312304 Kinoak Arena - Concrete, Dasher Boards, Doors, Glass

The 2023 capital budget includes \$367,300 budgeted in project 46312304 (Kinoak Arena - Concrete, Dasher Boards, Doors, Glass) for the architectural design of Kinoak slab replacement followed by \$1,836,600 in 2024 to complete the project.

Glen Abbey Blue slab replacement is not scheduled until 2026 with design in 2025 as per project 46652001 (Glen Abbey - Blue Rink Concrete, Dasher Boards, Glass) in the 2023 capital forecast. Glen Abbey has been experiencing some persistent leaks in the cold brine loop that cannot be repaired due to their location. More concerning, the warm brine loop is not operational due to a significant leak. In addition, the mechanical system is having operational challenges. If the refrigeration

system at Glen Abbey were to fail, it would have a significant service level impact to the community and revenue shortfall for the town.

In 2022, Kinoak required an emergency header replacement and has been operating effectively since. Staff believe that this repair has safely extended the life of Kinoak to meet the new timeline. Therefore, staff recommend that the timing of the Kinoak and Glen Abbey projects be switched in the forecast with the 2023 capital funding in project 46312304 (Kinoak Arena - Concrete, Dasher Boards, Doors, Glass) to be used for the Glen Abbey Blue rink to be completed first in 2023/2024 and that the name and description for project 46312304 be updated to reflect this change.

52220901 Bronte Heritage Waterfront Park

This project relates to the Bronte Heritage Waterfront Park improvements that included walkway improvements, walkway lighting, seating areas and a tensile shade structure that could also be used for performances. The project budget was \$2.46 million with actual expenditures of \$2.61 million. Many of these elements were funded by the town with assistance from the Region of Halton.

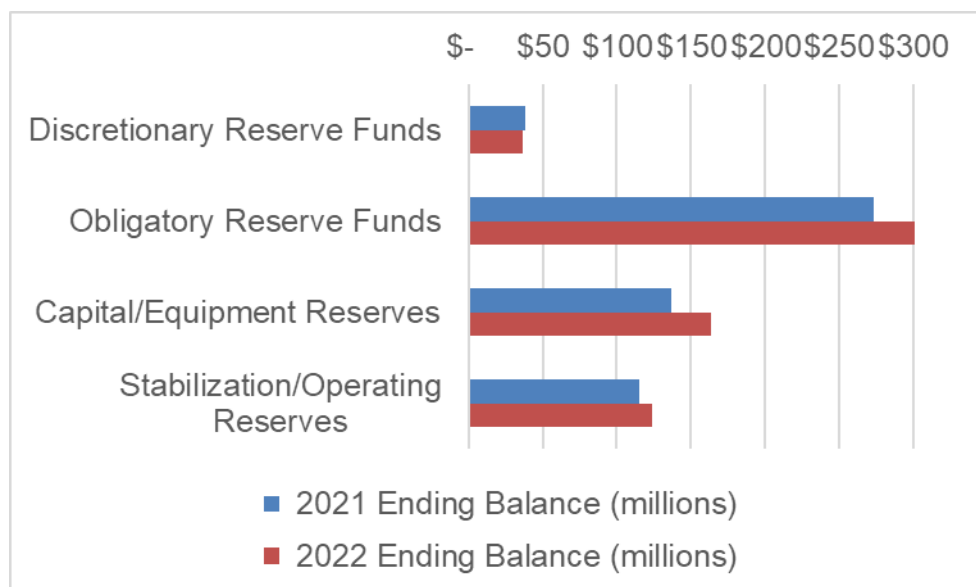
The last facility was the tensile shade structure and was to be funded in conjunction with the Region of Halton. The town issued the tender with the expectation the Region would be a funding partner. Unfortunately, during this period the Region decided to redirect and focus all waterfront funding towards Burloak Waterfront Park, the last remaining Regional waterfront park in their program, which resulted in a funding shortfall of \$300,000. At that time, the Region also fully dedicated the Bronte Heritage Waterfront Park to the town and it no longer was within the Regional Waterfront Park system. The tensile structure was fully completed and is widely used by the community.

Staff recommend that \$448,515 be transferred from the Capital Reserve to project 52220901 Bronte Heritage Waterfront Park Staff to cover the funding shortfall and budget overage to close the project.

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 and 2022 ending balances are shown below with further details of individual reserve and reserve funds in Appendix D.



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

Reserves

Stabilization and Operating reserves are healthy and remained stable over the course of the year. Capital reserves have increased significantly during the year, from \$115.1 million to \$148.0 million, primarily due to 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 decreased from \$21.8 million to \$15.8 million as transfers to capital projects are higher than transfers in from the operating budget. The largest impact was a result of transit vehicle replacement during the year.

Reserve Funds

Obligatory reserve funds, which include Development Charges (DC), cash in lieu of Parkland, provincial Gas Tax and the federal Canada Community-Building Fund (“CCBF”, formerly federal gas tax), as well as the newly established Community Benefits Charge (CBC). 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.

The total obligatory reserve funds increased from \$273.3 million to \$321.4 million as revenue exceeded current year capital needs. This is mainly due to DC revenue exceeded budget as a result of higher than anticipated development activity. 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 ending balance when considering all approved funding is \$157 million at year end.

Discretionary reserve funds remained stable throughout the year. The Building Maintenance reserve fund decreased slightly from \$18.4 million to \$16.8 million as capital outlay exceeded the operating transfers to the reserve for the year.

Trust Funds

Funds segregated and held in trust in accordance with the specific terms of a statute or trust indenture total \$6.8 million at December 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 12/31/2022
		Contributions	Transfers	
Cemetery Marker Care	366.3	25.2	9.2	382.3
Cemetery Perpetual Care	6,028.4	284.0	150.9	6,161.6
Library - Halton Information Providers	115.2	236.0	217.1	134.2
Burloak Canoe Club	36.5	0.9	-	37.4
Bronte Harbour Yacht Club	23.7	0.6	-	24.3
Oakville Power Boat Club	13.0	2.4	-	15.4
Bronte Community Tennis Club	24.0	0.6	-	24.6
Oakville Rugby Club	9.4	3.3	-	12.7
Oakville Yacht Squadron	6.3	2.2	-	8.5
Total	6,622.9	555.2	377.2	6,800.9

PURCHASING

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

CASH MANAGEMENT and INVESTMENTS

Cash flows are managed to ensure the funding requirements of the town are met while providing for a reasonable rate of return on invested funds not needed in current operations. The investment strategy follows a conservative approach in order to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality, medium-term investments. For the period ended December 31, 2022, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$20.2 million, on a portfolio of cash and investments totaling \$840 million (book value). The annualized rate of return based on average cash and investment holdings was 2.5%, with an average maturity of 5.3 years.

Bank interest and investment earnings have faced significant pressure over the past two years; however, they increased dramatically in 2022. The Bank of Canada (BOC) aggressively tightened monetary policy in response to increased economic activity and heightened inflation. The BOC increased the key interest rates by 4% over the course of 2022, from the effective lower bound of 0.25%. 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 surplus of \$3 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

The pandemic triggered major supply chain and inflationary pressures over the past year. This has proved challenging for capital projects that are at the procurement stage, as supply chain and commodity volatility have had a major impact on pricing. While the Bank of Canada has been raising interest rates to combat inflation, supply chain issues and worker shortages continue to pressure costs. In June, the annual headline inflation rate hit 8.1% year over year, marking the fastest pace since 1983. Some relief came over the second half of the year, with the latest CPI reading from February 2023 coming in at 5.2%. 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 14.5% year over year in Q4 2022, which amounts to a total 32% increase over the last two years. The elevated inflationary environment will likely remain, and continue to 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 year end is \$103.9 million. 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 December 31, the town held \$176 million in securities, which has increased from \$159 million in Q4 2021. \$135 million, or 77%, 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 for 2021. No specific groups have been notified directly regarding this report.

(B) FINANCIAL

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

(C) IMPACT ON OTHER DEPARTMENTS & USERS

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

(D) CORPORATE STRATEGIC GOALS

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

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

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – Operating Budget Variance Results

Appendix B – Capital Project Summary by Commission and Department

Appendix C – Summary of Capital Closures

Appendix D – Reserves and Reserve Funds

Appendix E – Purchasing Awards in excess of \$100,000

Appendix F – Investment Portfolio

Appendix G – Outstanding Debt

Appendix H – Municipal Act Reporting Requirements Report

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