

REPORT

Council

Meeting Date: September 18, 2023

FROM: Finance Department

DATE: September 5, 2023

SUBJECT: June 30, 2023 Financial Results

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the information contained in the staff report dated September 5, 2023, entitled *June 30, 2023 Financial Results* from the Finance department, be received.
2. That \$6.00 million in surplus investment income be transferred to the Capital Reserve to provide additional funding to mitigate inflationary pressures on the capital program.
3. That the 2023 capital budget be amended to add a new project in the amount of \$136,000 for various asset replacements at the Pine Glen Soccer Complex funded from the Pine Glen Maintenance reserve.
4. That the 2023 capital budget be amended to add a new project in the amount of \$620,600 for the Bell Fibre project fully funded from revenue recoveries from Bell.
5. That \$150,000 be added to capital project 46602302 Downtown Cultural Hub Refresh, funded from the capital reserve, to work on options for Oakville Galleries to review and renew the 2015 Central Library feasibility Study and undertake a new feasibility study for the former Fire Hall site.

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, 2023 to June 30, 2023.
- The total projected town variance after reserve transfers is \$6.26 million favourable or 2.6% of the tax levy.
- Total capital expenditures of \$182.0 million have been incurred year to date.
- A total of 25 capital projects have been identified for closure this period resulting in \$1.86 million being returned to reserves and reserve funds.

- The federal government has approved a reallocation of \$711,000 in Canada Community Revitalization Fund (CCRF) grant funding from the Wallace Park Redevelopment project to the Sixteen Mile Artificial Turf project. The Wallace Park project was unlikely to meet substantial completion by the grant deadline.
- A total of 10 tendered contracts and 5 single source awards in excess of \$100,000 were awarded during this period.
- Inflation has been easing since the summer of 2022. June 2022 headline inflation hit 8.1% year over year, and the most recent reading for July 2023 was 3.3%. 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 27% over the past 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, 2023 to June 30, 2023 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

The total projected town variance after policy related and recommended reserve transfers is \$6.26 million favourable or 2.6% of the tax levy for this period.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
Emergency Services	43.20	21.57	43.89	(0.69)
Road Network	29.83	19.88	29.23	0.60
Oakville Transit	33.72	16.40	31.26	2.46
Recreation and Culture	21.05	9.66	20.41	0.64
Parks and Open Spaces (incl. Cemetery and Harbours)	21.90	9.75	21.57	0.33
Oakville Public Library	11.65	5.92	11.51	0.14
Community Development	4.36	6.25	3.20	1.16
Political Governance	4.20	2.23	4.14	0.06
Municipal Enforcement (incl. Parking)	2.41	0.57	1.55	0.86
Corporate Support Services	36.05	15.72	34.67	1.37
Total Program Variance	\$ 208.37	\$ 107.95	\$ 201.44	\$ 6.93
Corporate Hearings & Litigation	0.50	0.10	0.50	(0.00)
Corporate Revenue & Expenses	(208.87)	(201.82)	(215.09)	6.22
Town Variance before transfers	\$ -	\$ (93.77)	\$ (13.15)	\$ 13.15
Policy Related and Recommended Transfers for Programs:				
Transfer investment surplus (to)/from Capital Reserve				(6.00)
Transfer (to)/from Building Enterprise Reserve				(0.40)
Transfer (to)/from Cemetery Reserve				0.00
Transfer (to)/from Harbours Reserve fund				(0.23)
Transfer (to)/from Parking Reserve fund				(0.26)
Transfer (to)/from Election Reserve				(0.00)
Total Town Variance after transfers				\$ 6.26

Note: Totals and subtotals in this and subsequent charts and tables may not add exactly due to rounding.

As shown above, the total projected Program variance is \$6.93 million favourable primarily due to personnel savings for various vacancies and higher Transit revenues due to higher ridership figures.

The variance projected in Corporate Revenue & Expenses is primarily attributed to higher investment income which is projected to have a favourable variance of \$7.92 million as well as higher supplementary taxes projected to have a favourable variance of \$2.40 million. Corporate Revenue & Expenses also includes \$3.21 million in budgeted Tax Stabilization funding as an interim measure to offset the Transit net revenue impact given the slower recovery of ridership that was anticipated during the 2023 budget process. Given that Transit ridership and revenue are projected to be higher than budgeted along with surpluses projected in various programs primarily due to personnel savings, it is projected that the Tax Stabilization funding will not be required for 2023.

The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$13.15 million favourable.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.40 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 Election are projected to be on budget at this

time while Parking and Harbours are projecting minor surpluses which are recommended to be transferred to their respective reserve funds.

Staff are also recommending that \$6.00 million in surplus investment income (see Cash Management and Investments section for more information) be transferred to the Capital Reserve, given the size of the capital program and inflation risk. 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 investment income to the Capital Reserve will help to mitigate these impacts on the capital program.

After all policy related and recommended transfers, the total projected town variance after transfers is \$6.26 million favourable representing 2.6% of the tax levy.

Program Variance – by revenue/expense type

The total projected program variance is \$6.93 million favourable and the most significant variances to budget by expense and revenue type are discussed below.

\$ Millions	2023 Annual Budget	2023 Q2 Actuals+ Commitments	2023 Q2 Year-end Projection	2023 Variance to Budget
EXPENSES				
Personnel Services & Benefits	183.98	80.69	178.17	5.80
Materials & Supplies	27.33	14.01	27.21	0.12
Capital out of Operations	0.34	0.13	0.34	0.01
Purchased Services	44.49	26.37	44.95	(0.47)
Payments & Grants	6.27	3.49	6.60	(0.32)
Internal Expenses & Transfers	43.95	32.32	44.14	(0.19)
Total EXPENSES	\$ 306.36	\$ 157.01	\$ 301.41	\$ 4.94
REVENUES				
External Revenues	(71.53)	(36.08)	(74.66)	3.12
Internal Recovery & Fund Transfers	(26.46)	(12.98)	(25.32)	(1.13)
Total REVENUES	\$ (97.99)	\$ (49.06)	\$ (99.98)	\$ 1.99
Total Programs	\$ 208.37	\$ 107.95	\$ 201.44	\$ 6.93

Personnel Services & Benefits - \$5.80 million favourable. The projected savings are higher than normal primarily due to vacancies in various programs.

While we continue to experience some areas of increased challenge in attracting talent due to the demand for skilled workers is much greater than the supply, we are noticing a trend towards stabilization. The town's reliance on contract positions to address capital project and supplemental staffing needs continues to be significantly disrupted given readily available permanent positions elsewhere. Additionally, this is compounded by an increase in our full-time staff taking time off for various leaves including sick leaves, some of which are related to delays in surgeries or referrals to specialist or mental health issues coming out of the pandemic, and legislative leaves (maternity, parental, family caregiver, etc.).

Part-time positions also continue to be a challenge to fill but is improving over last year. Turnover is trending downward, however, all these factors combined have contributed to the projected gapping which notably is the lowest it has been since 2020. Pre-COVID gapping was typically between \$0.6 million and \$1.0 million annually but with increased competition in the labour market, a higher 'new normal' is expected for the foreseeable future. Mitigation efforts, including marketing and branding initiatives to support a more active recruitment strategy as well as increased staffing resources to keep up with recruitment administration and outreach, are ongoing in 2023.

Purchased Services - \$0.47 million unfavourable. This is primarily attributed to the rising costs of contracted services. Staff continue to closely monitor the costs associated with contracted services and look for opportunities to mitigate the impact on the budget by engaging in contract negotiations with vendors and considering different ways of delivering the same levels of service where feasible.

External Revenue - \$3.12 million favourable. This is primarily attributed to higher Transit revenue due to higher ridership experienced during this period and projected to continue for the rest of the year. The 2023 budget assumed ridership figures to be 65% of pre-COVID levels while the actual ridership projected for the year is based on ridership figures during this period at 87% of pre-COVID levels. It should be noted that the revenue generating ridership, not including ridership for the free-ride program, represents 70% of these figures based on the information to date. Staff will continue to monitor ridership and report back in the next quarterly report.

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 - \$0.69 million unfavourable

The projected variance shown below is primarily due to personnel services for overtime and for early hire of new recruits to mitigate overtime and stand-in pay due to sick leaves. The Oakville Fire and Finance teams meet on a monthly basis to review the status and forecast of overtime, sick leave, WSIB and long-term disability to look for opportunities for cost containment and mitigation strategies.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	38.53	18.03	39.18	(0.65)
Materials & Supplies	0.86	0.53	0.93	(0.07)
Capital out of Operations	0.02	0.02	0.03	(0.01)
Purchased Services	1.93	1.08	1.91	0.01
Payments & Grants	0.05	0.04	0.05	0.00
Internal Expenses & Transfers	2.40	2.18	2.41	(0.01)
Total EXPENSES	\$ 43.78	\$ 21.89	\$ 44.50	\$ (0.72)
REVENUES				
External Revenues	(0.56)	(0.30)	(0.58)	0.03
Internal Recovery & Fund Transfers	(0.03)	(0.02)	(0.03)	0.00
Total REVENUES	\$ (0.59)	\$ (0.32)	\$ (0.62)	\$ 0.03
Total Emergency Services	\$ 43.20	\$ 21.57	\$ 43.89	\$ (0.69)

Community Development - \$1.16 million favourable

The projected variance shown below is primarily due to personnel savings for various vacancies as the town continues to look to fill vacant positions and due to higher Planning revenues.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	15.13	6.38	14.38	0.75
Materials & Supplies	0.08	0.02	0.07	0.01
Capital out of Operations	0.01	-	-	0.01
Purchased Services	0.56	0.25	0.52	0.04
Payments & Grants	0.14	0.02	0.14	0.00
Internal Expenses & Transfers	13.08	9.11	13.08	0.00
Total EXPENSES	\$ 29.01	\$ 15.77	\$ 28.19	\$ 0.82
REVENUES				
External Revenues	(22.49)	(8.52)	(22.91)	0.42
Internal Recovery & Fund Transfers	(2.16)	(1.00)	(2.08)	(0.08)
Total REVENUES	\$ (24.65)	\$ (9.52)	\$ (24.99)	\$ 0.34
Total Community Development	\$ 4.36	\$ 6.25	\$ 3.20	\$ 1.16

Corporate Support Services - \$1.37 million favourable

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

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	30.65	13.00	29.09	1.56
Materials & Supplies	1.17	0.73	1.13	0.04
Capital out of Operations	0.04	0.01	0.04	0.00
Purchased Services	10.11	4.85	10.13	(0.02)
Payments & Grants	0.70	0.51	0.94	(0.25)
Internal Expenses & Transfers	0.60	0.43	0.86	(0.26)
Total EXPENSES	\$ 43.28	\$ 19.53	\$ 42.20	\$ 1.07
REVENUES				
External Revenues	(2.51)	(1.50)	(3.13)	0.62
Internal Recovery & Fund Transfers	(4.72)	(2.31)	(4.39)	(0.32)
Total REVENUES	\$ (7.23)	\$ (3.81)	\$ (7.53)	\$ 0.30
Total Corporate Support Services	\$ 36.05	\$ 15.72	\$ 34.67	\$ 1.37

Oakville Transit - \$2.46 million favourable

The projected variance shown below is primarily due to higher fare revenue as ridership experienced during this period has been higher than budgeted and is projected to continue for the rest of the year. Transit will be providing more information on ridership in an update to Council later this fall.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	23.40	10.54	22.60	0.79
Materials & Supplies	7.08	3.38	6.70	0.38
Capital out of Operations	0.01	(0.00)	0.01	0.01
Purchased Services	4.74	2.10	4.79	(0.04)
Payments & Grants	0.95	0.84	1.13	(0.18)
Internal Expenses & Transfers	5.19	5.17	5.19	(0.00)
Total EXPENSES	\$ 41.37	\$ 22.03	\$ 40.41	\$ 0.96
REVENUES				
External Revenues	(4.91)	(3.67)	(7.08)	2.17
Internal Recovery & Fund Transfers	(2.74)	(1.96)	(2.08)	(0.66)
Total REVENUES	\$ (7.65)	\$ (5.62)	\$ (9.16)	\$ 1.51
Total Oakville Transit	\$ 33.72	\$ 16.40	\$ 31.26	\$ 2.46

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$827.2 million. Year to date, total expenditures of \$182.0 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$464.1 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	2023 Expenditures and Commitments	Total LTD Expenditures (incl. Prior Years)
46602104 Sixteen Mile Sports Complex and Library	104,277,000	77,102,929	93,998,532
52212102 Sixteen Mile Sports Park - South Parcel	17,831,000	14,675,286	15,868,878
53332303 Road Resurfacing and Preservation Program	11,306,000	10,679,346	10,679,346
53312202 Lakeshore Rd Improvements w/AT - Mississauga St to Dorval Dr - Design	5,083,000	4,120,421	4,175,722
43302203 Emergency Response Vehicles & Equipment	3,920,000	3,903,669	3,911,669
54212301 Capital Lease for Charging Infrastructure	4,200,000	3,251,000	3,251,000
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,812,700	3,046,526	16,021,170
63102202 Midtown Implementation	2,700,000	2,713,189	2,732,206
Total	\$ 185,129,700	\$ 119,492,367	\$ 150,638,522

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 Commissioner approved transfers 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
46682201	Sixteen Mile - Sprinkler System Repair	\$ 25,000	Building Maintenance Reserve	Sixteen Mile Sports Complex requires the addition of a fire pump to the existing sprinkler system serving the building due to low water pressure. The replacement of the Overhead Doors, originally planned for 2022, has been deferred due to a preventative maintenance program that extended their useful life. The required funds for the fire pump addition will be taken from the Building Maintenance Reserve, and the door replacements will be deferred based on future inspection. This deferral, along with other budget adjustments, will provide sufficient funding for the fire pump work.

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 25 projects will be closed. These closures represent a net surplus of \$1.86 million. \$1.02 million will be returned to reserves and \$840,000 will be returned to

reserve funds. A \$34,000 shortfall from external recoveries and grants exists this quarter. Appendix C provides more details of the project closures by program.

	Project Details				Impact on Reserves and Reserve Funds		
	LTD Budget	LTD Actuals	LTD External Revenues	LTD Variance	Reserves (Capital & Equipment)	Reserve Funds (DC & Dedicated)	Total to/(from) Reserve/ Reserve Funds
Net Impact	\$ 10,035.1	\$ 8,143.8	\$ 34.1	\$ 1,857.2	\$ 1,017.2	\$ 840.0	\$ 1,857.2

Capital Budget Request

Pine Glen Soccer Complex

Pine Glen Soccer Complex was built in 2008 as a partnership between the Oakville Soccer Club and the Town of Oakville. As part of the agreement the club, at its own expense, is to keep, repair, and maintain the premises in a good, clean and wholesome condition consistent to a standard at least substantially equal in quality, material and workmanship as other public sports and recreational facilities in the town, reasonable wear and tear excepted. As the building was built in 2008 and with a new building there was very little that needed to be done for repair or replacement, the club did not need to do substantial upkeep to the building during the early years of operation. As a building ages, more care and upkeep needs to be done to ensure that the assets are maintained in good condition to continue to function properly.

In reviewing the building condition assessment done on the property, there seems to have been little maintenance or planning done on various assets leading to premature failure or more expensive repairs needed on various assets including exterior doors, lobby and shower tiles. No succession planning was done for technological changes and updates to ensure that systems within the building are maintained. For example, the internet browser was not updated and no longer supports the building automation system and the security system is now outdated technology.

As Pine Glen has aged, there has been little upkeep to maintain the assets in good condition and ongoing vandalism and weather have taken their toll as well. As a result, there are immediate concerns with aspects of the building that need to be addressed in this year to ensure the safety and security of the building and of the people who use the building. Staff recommend that the 2023 capital budget be

amended to add a new project in the amount of \$136,000 for various asset replacements at the Pine Glen Soccer Complex funded from the Pine Glen Maintenance reserve.

The town will continue to work with the Oakville Soccer Club to ensure that the club, at its own expense, keep, repair, and maintain the premises in a manner consistent with the terms of the agreement.

Downtown Cultural Hub

At the September 6th, 2023 meeting of the Budget Committee, the Committee provided direction to look at options to accommodate a new Oakville Gallery. The options would be

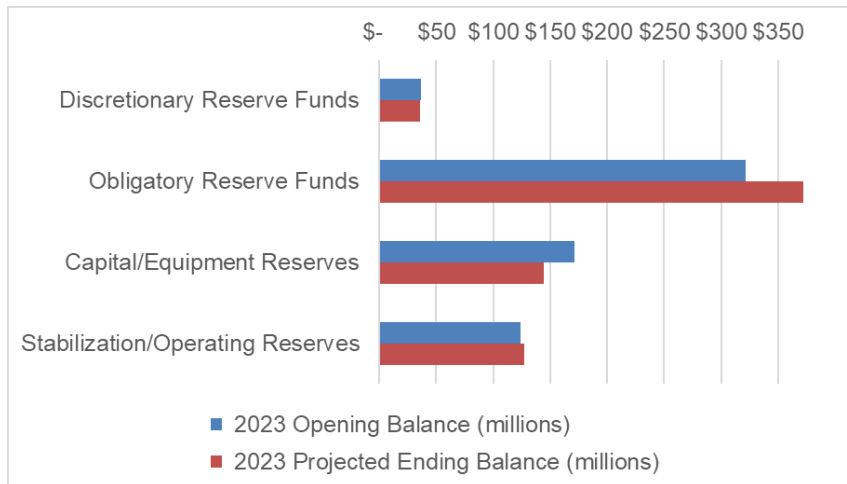
- i) standalone facility on the former Fire Hall site;
- ii) co-locate facility in a mixed use building at the former Fire Hall site; and
- iii) co-located facility with a new Central Library on the former Post Office site.

To conduct the work, \$150,000 of additional funds will need to be added to capital project 46602302 Downtown Cultural Hub Refresh to review and renew the 2015 Central Library feasibility Study and undertake a new feasibility study for the former Fire Hall site. Funding for the increase to the capital project will come from the Capital Reserve. Approval of these funds now will allow the studies to be advanced and would allow completion in a timely way.

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 2023 opening balances and 2023 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 are expected to decrease during the year, as capital expenditures are projected to be higher than transfers to these reserves due to major projects such as Khalsa Gate Urbanization and Streetscape with active transportation, Capital Lease for Charging Infrastructure, and Sixteen Mile Sports Complex and Library. Equipment reserves are expected to decrease as capital outlay is exceeding transfers from operating budget. Additional capital funding was approved and transferred from the Transit equipment reserve and Capital reserve to cover the increased cost for the purchase of 15 electric conventional buses.

Due to the current timing for the Wallace Park Redevelopment project, the federal government has approved a reallocation of Canada Community Revitalization Fund (CCRF) grant funding from the Wallace Park Redevelopment project to the Sixteen Mile Artificial Turf project. The Wallace Park project was unlikely to meet substantial completion by the grant deadline. The result is a reallocation of \$711,000 in federal grant funding between these two projects.

Bell Fibre Project

A [memo](#) regarding the installation of Bell Fibre in parts of Wards 1 and 2 was presented to Council at the July 11, 2023 Council meeting. This work is the first phase in a larger plan to install high speed fibre in the Town's rights-of-way, making service available to thousands of homes and within the project areas. The fibre

project will deliver major economic and social benefits to the residents and businesses as the new network will supply advanced digital infrastructure needed for the success of the digital economy. In addition, the fiber network sets the groundwork for 5G technology that the Town and the Halton Region area municipalities support.

The installation of high-speed fibre will be over and above the regular work that Bell does to support internet and phone services to residents and businesses in Oakville. A special project, supported by a Service Level Agreement supplemental to the existing Municipal Access Agreement, will set the terms to support and expedite approvals will be established. This project has an expected cost of \$1.8 million for the resources required to review and approve municipal consent and permit applications over the 3-year project timeline. Project costs will be fully recoverable from Bell.

Municipal consents for work outside this special project, including work by Bell, other telecoms, utilities, and Halton Region, will continue to be reviewed in accordance with applicable Municipal Access Agreements and service level commitments.

Staff recommend that the 2023 capital budget be amended to add a new project in the amount of \$620,600 for the Bell Fibre project fully funded from revenue recoveries from Bell. The additional funding required in future years will be incorporated into the 2024 budget process.

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, are expected to increase from \$321.4 million to \$372.1 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 \$214.1 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 \$6.9 million at June 30, 2023 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.

2023 Trust Funds (\$ Thousands)				
Trust Fund	2022 Ending Balance	2023 Activity		Balance at 6/30/2023
		Contributions	Transfers	
Cemetery Marker Care	382.3	8.4	-	390.7
Cemetery Perpetual Care	6,161.6	87.8	-	6,249.3
Library - Halton Information Providers	134.2	-	-	134.2
Burloak Canoe Club	37.4	-	-	37.4
Bronte Harbour Yacht Club	24.3	-	-	24.3
Oakville Power Boat Club	15.4	2.0	-	17.4
Bronte Community Tennis Club	24.6	-	-	24.6
Oakville Rugby Club	12.7	3.0	-	15.7
Oakville Yacht Squadron	8.5	2.0	-	10.5
Total	6,800.9	103.2	-	6,904.0

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, 2023, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$17 million, on a portfolio of cash and investments totaling \$961 million (book value). The annualized rate of return based on average cash and investment holdings was 3.73%, with an average maturity of 5.1 years.

Bank interest and investment earnings increased dramatically in 2022. The Bank of Canada (BOC) aggressively tightened monetary policy in response to increased heightened inflation raising the key interest rate by 4.75% since March 2022, from the effective lower bound of 0.25% to 5.00%. With the recent interest rate hike on July 12, 2023, the policy rate of 5% is the highest since 2001. Along with a corresponding increase to the town's bank rate, fixed income yields have risen as a result of inflationary expectations. While inflation has begun to ease, it is not happening as fast as expected, and longer term yields indicate continued expectations for higher inflation. The continued rise in interest rates and growing size of the town's portfolio has resulted in a projected surplus of \$7.92 million for the town's investment income budget in 2023, with a \$6 million surplus realized year to

date. As stated earlier in the report, it is recommended that this \$6 million surplus in investment income be transferred to the capital reserve to help mitigate inflationary pressures on the capital program. Appendix F provides details on the components of the town's investment portfolio.

Inflation Outlook

There has been a lagging effect of higher interest rates on inflation; however, inflation has been easing since the summer of 2022. June 2022 headline inflation hit 8.1% year over year, and the most recent reading for July 2023 was 3.3% year over year. The BOC's interest rate measures have begun to result in easing inflation; however, there remains uncertainty and upside risk. Three-month rates of core inflation have been in the range of 3.5%-4% since September 2022, indicating that underlying price pressures remain high and are proving more persistent.

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 27% over the past two years. There are signs of relief from the most recent non-residential Construction Price Index increase of 8.1% year over year in Q2 2023 (down from 12.3% at Q1 2023). The BOC has left the door open for further rate hikes if needed, but more signs are pointing to a slowing economy based on recent data.

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.

Following approval of the 2023 Capital Budget, there is \$50.7 million in outstanding approved debt not yet issued. Debt issuance is based on timing of the capital project spending, and when Halton Region plans to go to the market.

Total principal outstanding at the beginning of the year was \$103.9 million, and subject to potential new issuance, will lower to \$98.5 million at year end. The town is in a strong financial position with total debt charges for the year at 3.1% of net own source revenue. When considering approved debt that is not yet issued, plus capital lease payments for transit electrification, total debt charges are projected to rise to 6.9% of net own source revenue by 2025, which remains 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 \$183.2 million in securities, which has increased from \$177.8 million in Q2 2022. \$148.7 million, or 81%, 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

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