



OAKVILLE

## REPORT

### Council

**Meeting Date: December 18, 2023**

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**FROM:** Finance Department

**DATE:** December 5, 2023

**SUBJECT:** **September 30, 2023 Financial Results**

**LOCATION:**

**WARD:** Town-wide

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**RECOMMENDATION:**

1. That the information contained in the staff report dated December 5, 2023, entitled September 30, 2023 Financial Results from the Finance Department, be received.
2. That the Street Trees reserve fund be closed as all funds have been fully utilized for the planting and maintenance of street trees.

**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 September 30, 2023.
- The total projected town variance after reserve transfers is \$6.34 million favourable or 2.6% of the tax levy.
- Total capital expenditures of \$216.1 million have been incurred year to date.
- A total of 34 capital projects have been identified for closure this period resulting in \$2.59 million being returned to reserves and reserve funds.
- A total of 17 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 October 2023 was 3.1%. 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 23% 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 September 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 \$6.34 million favourable or 2.6% of the tax levy for this period.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
Emergency Services	43.20	32.15	44.16	(0.97)
Road Network	29.83	29.03	28.63	1.20
Oakville Transit	33.72	24.06	31.10	2.63
Recreation and Culture	21.05	13.53	18.31	2.74
Parks and Open Spaces (incl. Cemetery and Harbours)	21.90	22.16	20.97	0.94
Oakville Public Library	11.65	8.61	11.52	0.13
Community Development	4.36	19.50	4.25	0.11
Political Governance	4.20	3.23	3.94	0.26
Municipal Enforcement (incl. Parking)	2.41	0.96	0.83	1.59
Corporate Support Services	36.05	25.16	34.90	1.14
<b>Total Program Variance</b>	<b>\$ 208.37</b>	<b>\$ 178.40</b>	<b>\$ 198.61</b>	<b>\$ 9.76</b>
Corporate Hearings & Litigation	0.50	0.16	0.36	0.14
Corporate Revenue & Expenses	(208.87)	(225.56)	(209.23)	0.36
<b>Town Variance before transfers</b>	<b>\$ -</b>	<b>\$ (47.00)</b>	<b>\$ (10.26)</b>	<b>\$ 10.26</b>
<b>Policy Related and Recommended Transfers for Programs:</b>				
Transfer investment surplus (to)/from Capital Reserve				(1.92)
Transfer (to)/from Building Enterprise Reserve				(0.02)
Transfer (to)/from Cemetery Reserve				(0.07)
Transfer (to)/from Harbours Reserve fund				(0.73)
Transfer (to)/from Parking Reserve fund				(1.15)
Transfer (to)/from Election Reserve				(0.02)
<b>Total Town Variance after transfers</b>				<b>\$ 6.34</b>

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 \$9.76 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 \$1.92 million as well as higher supplementary taxes projected to have a favourable variance of \$3.13 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.

The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$10.26 million favourable.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.02 million to the Building Enterprise Reserve is projected. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election. Staff recommend that these projected surpluses be transferred to their respective reserve funds. Staff will also recommend that the surplus investment income, projected to be \$1.92 million, be transferred to the Capital Reserve at year end 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 \$6.34 million favourable representing 2.6% of the tax levy.

**Program Variance – by revenue/expense type**

The total projected program variance is \$9.76 million favourable and the most significant variances to budget by expense and revenue type are discussed below.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	183.98	141.53	177.05	6.93
Materials & Supplies	27.33	25.58	27.06	0.27
Capital out of Operations	0.34	0.16	0.20	0.15
Purchased Services	44.49	38.31	44.05	0.43
Payments & Grants	6.27	4.66	6.24	0.03
Internal Expenses & Transfers	43.95	38.62	44.34	(0.39)
<b>Total EXPENSES</b>	<b>\$ 306.36</b>	<b>\$ 248.87</b>	<b>\$ 298.94</b>	<b>\$ 7.42</b>
<b>REVENUES</b>				
External Revenues	(71.53)	(52.26)	(75.03)	3.50
Internal Recovery & Fund Transfers	(26.46)	(18.21)	(25.30)	(1.16)
<b>Total REVENUES</b>	<b>\$ (97.99)</b>	<b>\$ (70.47)</b>	<b>\$ (100.33)</b>	<b>\$ 2.34</b>
<b>Total Programs</b>	<b>\$ 208.37</b>	<b>\$ 178.40</b>	<b>\$ 198.61</b>	<b>\$ 9.76</b>

Personnel Services & Benefits - \$6.93 million favourable. The projected savings are higher than normal primarily due to vacancies in various programs. While the town continues to experience some areas of challenge in attracting talent due to the demand for skilled workers being much greater than the supply, the town's HR team is noticing a trend towards stabilization. Pre-pandemic the town's average turnover rate averaged about 3-5% and over the last few years that has increased to 7.6%, with last year at 9.7%.

The town's turnover is beginning to trend downward. The 2023 turnover as of mid-October is at 5.5% and annual turnover is projected to come in at about 7%. While higher than normal for Oakville, this is not nearly as high as reported in a recent Mercer and McLean and Company survey, which had turnover projecting between 15% and 18% for other companies. The town budgeted \$0.85 million for corporate gapping for staff turnover and vacancies, and this has been increased to \$1.82 million in the proposed 2024 budget to reflect expected trends.

Given the town's staffing demographics, the retirement bubble has peaked. Part-time positions also continue to be a challenge to fill but is improving over last year. 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 and into 2024. The recent changes in the CUPE collective agreements related to vacation service and market rates are expected to make an impact on recruitment and retention where talent is scarce.

The following request was received from the 2024 Budget Committee during the 2024 budget process: "What is our current vacancy in each department measured against the 2023 approved headcount?". In the report entitled *2024 Budget Committee Requests* that went to the October 31, 2023 Budget Committee meeting, staff indicated in Appendix A (request #63) that more turnover/vacancy details will be included in the 2023 Q3 report. As of mid-October, the town had approximately 70 vacancies, 16 of which have been filled with start dates in the coming weeks. Of 53 remaining vacancies, 72% are in progress expected to be filled in Q4 2023 or early Q1 2024. Of the roughly 30% remaining vacancies (or 15 positions), 1/3 are related to unexpected leaves, 1/3 are under review with the intent to fill shortly and 1/3 have been gapped while management decides on structure or undertakes further review of operational requirements. Below is a table that breaks down the details for departments with vacancies.

Department	In progress	Leave related backfill	Gapped	Under Review intend to fill	Grand Total	Total FTE	Mid-October Vacancy Rate
Building Services	4				4	48	8.3%
CAO's Offices						3	
Clerk's Department						17	
Community Development						2	
Community Infrastructure						2	
Community Services						2	
Corporate Asset Management	1				1	13	7.7%
Corporate Services						2	
Economic Development	1				1	4	25.0%
Facility Services	3				3	21	14.3%
Finance	2	1			3	52	5.8%
Human Resources						17	
Information Technology Solutions	1			4	5	54	9.3%
Legal						9	
Municipal Enforcement Services	2				2	31	6.5%
Oakville Fire Department	3		1		4	250	1.6%
Oakville Transit	2		1		3	185	1.6%
Parks & Open Space	5	1	1		7	100	7.0%
Planning Services			1		1	32	3.1%
Recreation and Culture	7	1	1		9	149	6.0%
Roads & Works Operations	4	2		1	7	104	6.7%
Strategic Business Services	1				1	10	10.0%
Strategy Policy & Communications	2				2	28	7.1%
Transportation and Engineering						51	
<b>Grand Total</b>	<b>38</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>53</b>	<b>1186</b>	<b>4.5%</b>

Purchased Services - \$0.43 million favourable. This is primarily attributed to savings associated with the Automated Speed Enforcement (ASE) program which is expected to start in May 2024.

External Revenue - \$3.50 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 actual ridership projected for the year is 96% of pre-COVID levels. Staff will continue to monitor ridership and report back in the next quarterly report.

Internal Recovery & Fund Transfers - \$1.16 million unfavourable. This is primarily attributed to the budgeted Tax Stabilization funding for temporary items such as increased air handling volume and additional touchpoint cleaning at town facilities which will not be required given the projected favourable town variance.

**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 - \$0.97 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	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	38.53	28.15	39.26	(0.73)
Materials & Supplies	0.86	0.82	1.03	(0.17)
Capital out of Operations	0.02	0.04	0.04	(0.02)
Purchased Services	1.93	1.24	2.01	(0.08)
Payments & Grants	0.05	0.04	0.04	0.01
Internal Expenses & Transfers	2.40	2.29	2.38	0.01
<b>Total EXPENSES</b>	<b>\$ 43.78</b>	<b>\$ 32.58</b>	<b>\$ 44.76</b>	<b>\$ (0.98)</b>
REVENUES				
External Revenues	(0.56)	(0.39)	(0.56)	0.00
Internal Recovery & Fund Transfers	(0.03)	(0.03)	(0.04)	0.01
<b>Total REVENUES</b>	<b>\$ (0.59)</b>	<b>\$ (0.42)</b>	<b>\$ (0.60)</b>	<b>\$ 0.01</b>
<b>Total Emergency Services</b>	<b>\$ 43.20</b>	<b>\$ 32.15</b>	<b>\$ 44.16</b>	<b>\$ (0.97)</b>

**Parks and Open Spaces (incl. Cemetery and Harbours) - \$0.94 million favourable**

The projected variance shown below is primarily due to higher sportfields rental revenue, Harbours revenue and personnel savings for various vacancies.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	15.40	12.23	15.01	0.39
Materials & Supplies	3.38	6.27	3.13	0.25
Capital out of Operations	0.07	0.06	0.07	(0.00)
Purchased Services	5.61	5.14	6.09	(0.48)
Payments & Grants	0.72	0.51	0.70	0.02
Internal Expenses & Transfers	7.02	5.79	7.17	(0.15)
<b>Total EXPENSES</b>	<b>\$ 32.21</b>	<b>\$ 30.01</b>	<b>\$ 32.18</b>	<b>\$ 0.03</b>
REVENUES				
External Revenues	(7.85)	(6.29)	(8.47)	0.63
Internal Recovery & Fund Transfers	(2.46)	(1.56)	(2.74)	0.27
<b>Total REVENUES</b>	<b>\$ (10.31)</b>	<b>\$ (7.85)</b>	<b>\$ (11.21)</b>	<b>\$ 0.90</b>
<b>Total Parks and Open Spaces (incl. Cemetery and Harbours)</b>	<b>\$ 21.90</b>	<b>\$ 22.16</b>	<b>\$ 20.97</b>	<b>\$ 0.94</b>

Corporate Support Services - \$1.14 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. The overall favourable variance also includes a \$0.61 million unfavourable variance projected for Facility Services given the advance implementation of 2024 recommendations from the Facility Management Review. In preparation for the new facility operating model in 2024, positions with a projected impact of \$0.76 million have been moved to Facility Services throughout 2023 and the offsetting savings reflected in the Recreation and Culture program.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	30.65	20.62	29.53	1.13
Materials & Supplies	1.17	1.11	1.15	0.02
Capital out of Operations	0.04	0.03	0.04	0.00
Purchased Services	10.11	7.21	9.92	0.19
Payments & Grants	0.70	0.76	0.92	(0.22)
Internal Expenses & Transfers	0.60	0.67	0.86	(0.26)
<b>Total EXPENSES</b>	<b>\$ 43.28</b>	<b>\$ 30.40</b>	<b>\$ 42.41</b>	<b>\$ 0.87</b>
<b>REVENUES</b>				
External Revenues	(2.51)	(2.40)	(3.31)	0.80
Internal Recovery & Fund Transfers	(4.72)	(2.84)	(4.19)	(0.53)
<b>Total REVENUES</b>	<b>\$ (7.23)</b>	<b>\$ (5.24)</b>	<b>\$ (7.51)</b>	<b>\$ 0.28</b>
<b>Total Corporate Support Services</b>	<b>\$ 36.05</b>	<b>\$ 25.16</b>	<b>\$ 34.90</b>	<b>\$ 1.14</b>

Road Network - \$1.20 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	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	17.89	11.85	16.44	1.45
Materials & Supplies	7.44	7.58	7.64	(0.20)
Capital out of Operations	0.15	0.01	0.01	0.13
Purchased Services	11.87	13.89	12.03	(0.17)
Payments & Grants	1.35	0.91	1.34	0.01
Internal Expenses & Transfers	8.30	6.93	8.32	(0.02)
<b>Total EXPENSES</b>	<b>\$ 46.98</b>	<b>\$ 41.16</b>	<b>\$ 45.79</b>	<b>\$ 1.20</b>
<b>REVENUES</b>				
External Revenues	(5.67)	(3.41)	(5.81)	0.14
Internal Recovery & Fund Transfers	(11.49)	(8.72)	(11.35)	(0.14)
<b>Total REVENUES</b>	<b>\$ (17.15)</b>	<b>\$ (12.14)</b>	<b>\$ (17.16)</b>	<b>\$ 0.00</b>
<b>Total Road Network</b>	<b>\$ 29.83</b>	<b>\$ 29.03</b>	<b>\$ 28.63</b>	<b>\$ 1.20</b>

Municipal Enforcement (incl. Parking) - \$1.59 million favourable

The projected variance shown below is primarily due to additional parking and fine revenue as well as savings associated with the Automated Speed Enforcement (ASE) program which is expected to start in May 2024.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	4.75	3.42	4.77	(0.02)
Materials & Supplies	0.26	0.15	0.20	0.07
Capital out of Operations	0.02	0.00	0.01	0.02
Purchased Services	2.33	1.55	2.03	0.30
Payments & Grants	0.69	0.48	0.54	0.15
Internal Expenses & Transfers	2.03	1.63	2.08	(0.05)
<b>Total EXPENSES</b>	<b>\$ 10.09</b>	<b>\$ 7.22</b>	<b>\$ 9.63</b>	<b>\$ 0.46</b>
<b>REVENUES</b>				
External Revenues	(5.87)	(4.95)	(6.72)	0.84
Internal Recovery & Fund Transfers	(1.81)	(1.31)	(2.08)	0.28
<b>Total REVENUES</b>	<b>\$ (7.68)</b>	<b>\$ (6.26)</b>	<b>\$ (8.80)</b>	<b>\$ 1.12</b>
<b>Total Municipal Enforcement (incl. Parking)</b>	<b>\$ 2.41</b>	<b>\$ 0.96</b>	<b>\$ 0.83</b>	<b>\$ 1.59</b>

Oakville Transit - \$2.63 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.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	23.40	16.87	23.02	0.38
Materials & Supplies	7.08	4.97	6.71	0.37
Capital out of Operations	0.01	(0.00)	0.00	0.01
Purchased Services	4.74	3.47	4.43	0.31
Payments & Grants	0.95	0.95	0.95	(0.00)
Internal Expenses & Transfers	5.19	5.17	5.17	0.02
<b>Total EXPENSES</b>	<b>\$ 41.37</b>	<b>\$ 31.43</b>	<b>\$ 40.29</b>	<b>\$ 1.08</b>
<b>REVENUES</b>				
External Revenues	(4.91)	(5.40)	(7.00)	2.09
Internal Recovery & Fund Transfers	(2.74)	(1.97)	(2.19)	(0.55)
<b>Total REVENUES</b>	<b>\$ (7.65)</b>	<b>\$ (7.37)</b>	<b>\$ (9.19)</b>	<b>\$ 1.54</b>
<b>Total Oakville Transit</b>	<b>\$ 33.72</b>	<b>\$ 24.06</b>	<b>\$ 31.10</b>	<b>\$ 2.63</b>



Recreation and Culture - \$2.74 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. This also includes a projected impact of \$0.76 million related to the advance implementation of 2024 recommendations from the Facility Management Review as positions have been moved from Recreation and Culture to Facility Services throughout 2023.

\$ Millions	2023	2023	2023	2023
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
<b>EXPENSES</b>				
Personnel Services & Benefits	25.98	17.55	23.28	2.70
Materials & Supplies	5.32	3.39	5.34	(0.03)
Capital out of Operations	-	0.00	0.00	(0.00)
Purchased Services	5.43	3.84	5.21	0.22
Payments & Grants	1.55	0.87	1.53	0.03
Internal Expenses & Transfers	4.73	4.53	4.67	0.06
<b>Total EXPENSES</b>	<b>\$ 43.01</b>	<b>\$ 30.18</b>	<b>\$ 40.03</b>	<b>\$ 2.98</b>
<b>REVENUES</b>				
External Revenues	(21.24)	(16.44)	(21.45)	0.21
Internal Recovery & Fund Transfers	(0.72)	(0.21)	(0.27)	(0.45)
<b>Total REVENUES</b>	<b>\$ (21.96)</b>	<b>\$ (16.65)</b>	<b>\$ (21.72)</b>	<b>\$ (0.24)</b>
<b>Total Recreation and Culture</b>	<b>\$ 21.05</b>	<b>\$ 13.53</b>	<b>\$ 18.31</b>	<b>\$ 2.74</b>

**CAPITAL BUDGET**

The total cumulative approved capital budget for active projects is \$818.6 million. Year to date, total expenditures of \$216.1 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$490.5 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	75,091,501	91,987,104
54212307 Transit Facility Expansion	18,000,000	15,690,195	15,690,195
52212102 Sixteen Mile Sports Park - South Parcel	17,831,000	12,430,912	13,624,503
53332303 Road Resurfacing and Preservation Program	11,306,000	10,290,647	10,290,647
53311006 Sixth Line Urbanization and Widening w/AT - North Park to William Halton Parkway	35,812,700	4,189,147	17,163,791
53312202 Lakeshore Rd Improvements w/AT - Mississauga St to Dorval Dr - Design	5,083,000	4,130,599	4,185,899
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
<b>Total</b>	<b>\$ 200,429,700</b>	<b>\$ 128,977,669</b>	<b>\$ 160,104,808</b>

**Capital Budget Transfers and Closures**

In accordance with the Financial Control Policy, Commissioners are authorized to approve the transfer of funds between projects for any project where the costs exceed budget by the lesser of 10% or \$200,000. The following Commissioner approved transfers were approved during this period.

Project	Transfer To/ (From)
63102202 Midtown Implementation	109,000
53312107 Chartwell Road EA Study - South Service Road to Cornwall Road	(109,000)
53411801 Traffic Signal Construction Program - Design and Construction	36,000
53412103 ICIP Pedestrian Crossovers	112,800
53312303 Traffic Management - Intersections	(148,800)

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
43302303	Emergency Response Vehicles & Equipment	\$ 235,700	Fire Equipment Reserve	The Fire Department plans to acquire a Pumper/Squad Apparatus to replace an outdated unit and enhance their emergency response capabilities. This acquisition aligns with capital budget allocation and adheres to established best practice standards, including Fire Underwriters Survey (FUS) ratings for municipal fire protection services. Inflationary costs for the apparatus and associated equipment continues to challenge fire departments across the country.
53412303	Traffic Calming Program - Design and Construction	\$ 300,000	Capital Project 53371102 Morrison Creek West Reach 37	Construction of Morrison Creek West Reach 37 was completed with savings of \$437,617. This request was to transfer \$300,000 of the savings to the Traffic Calming Program - Design and Construction project to facilitate the implementation of traffic calming measures at three schools.
52212105 52242205	Splash Pad - Southeast Oakville Wrynety Way Park Renewal	\$ 310,000	Capital Project 52242208 Coronation Park Renewal	The Parks and Open Space Department recently closed a tender for two projects, including a new splash pad at Aspen Forest Park and the rehabilitation of a splash pad and playground at Wrynety Way Park. The lowest bidder exceeded the budget due to ongoing inflationary cost pressures. This request is to reallocate funding to these projects while planning for additional funds in the 2024 budget for the Coronation Park site, ensuring that the projects are ready for the 2024 season.
53412302	Traffic Signal Construction Program - Design and Construction	\$ 350,000	\$175,000 - General Capital Reserve \$119,000 - Road Residential DC Reserve \$56,000 - Roads Non-Residential DC Reserve	The detailed design has been completed and the construction cost estimate prepared based on the most recent (2023) tendered traffic signal contract is higher than the construction cost estimate prepared based on previous years' contract rates. This request is for the additional funding to tender the traffic signal contract and complete construction in 2023.
52902303	Bronte Harbour Dredging	\$ 300,000	Harbours reserve	Additional funding for the requirements of additional environmental safe-guards, Excess Soils regulations, harbour dock infrastructure (anchors and chains), staffing costs, and to allow the award of the current dredge tender (RFT-66-2023)

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 the projects are closed. For this quarter, a total of 34 projects will be closed. These closures represent a net surplus of \$2.59 million, of which \$2.55 million will be returned to reserves and \$77 thousand will be returned to reserve funds. Appendix C provides more details of the project closures by program.

	Project Details			Impact on Reserves and Reserve Funds		
	LTD Budget	LTD Actuals	LTD Variance	Reserves (Capital & Equipment)	Reserve Funds (DC & Dedicated)	Total to/(from) Reserve/Reserve Funds
<b>Net Impact</b>	<b>\$ 9,782.3</b>	<b>\$ 7,191.1</b>	<b>\$ 2,591.3</b>	<b>\$ 2,514.0</b>	<b>\$ 77.3</b>	<b>\$ 2,591.3</b>

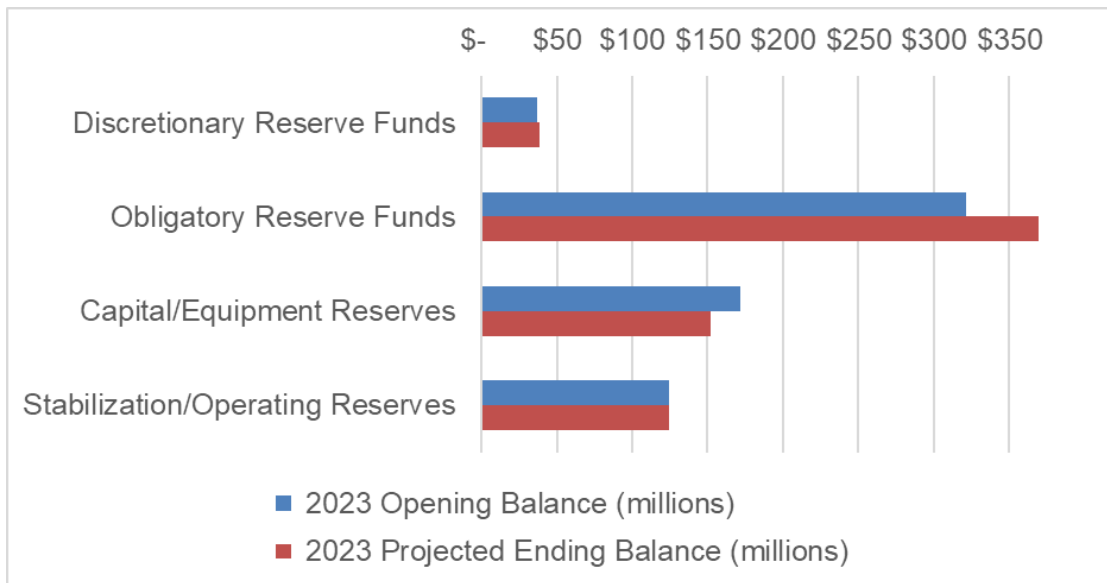
One project being closed this quarter exceeded budget more than 10%; as the amount is less than \$350,000 the CAO has the authority to approve the required funding to close this project in accordance with town policy.

PROJECT TITLE	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT SHORTFALL/ FUNDING REQUIRED	%	EXPLANATION
51312101 Central Ops - Furniture Replacement	\$15,000	\$18,318	(\$3,318)	22%	Capital reserve will cover shortfall

## 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 have remained 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.

**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 \$369.7 million, as expected revenue exceeds current year capital needs. Note that development charge and community benefits charge collections are lower than anticipated due to slower development activity, along with legislative impacts to development charge collections. 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 \$206.1 million at year end. Discretionary Reserve funds are expected to remain stable throughout the year.

Staff recommend the closure of the Street Trees reserve fund. This reserve fund was used to fund the planting and maintenance of street trees, using collections from developers. A number of years ago, these costs became the responsibility of the developer, and collections ceased. There is no outstanding balance in the reserve fund.

**Trust Funds**

Funds segregated and held in trust in accordance with the specific terms of a statute or trust indenture total \$7 million at September 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 9/30/2023
		Contributions	Transfers	
Cemetery Marker Care	382.3	14.6	-	396.9
Cemetery Perpetual Care	6,161.6	148.8	-	6,310.4
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
<b>Total</b>	<b>6,800.9</b>	<b>170.4</b>	<b>-</b>	<b>6,971.3</b>

## PURCHASING

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

## CASH MANAGEMENT and INVESTMENTS

Cash flows are managed to ensure the funding requirements of the town are met while providing for a reasonable rate of return on invested funds not needed in current operations. The investment strategy follows a conservative approach in order to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality, medium-term investments. For the period ended September 30, 2023, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$27 million, on a portfolio of cash and investments totaling \$1.0 billion (book value). The annualized rate of return based on average cash and investment holdings was 3.84%, with an average maturity of 5 years.

Bank interest and investment earnings increased dramatically since 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%. 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. As approved in the June 30, 2023 Financial Results report, \$6 million of the surplus in investment

income has been 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 October 2023 was 3.1% year over year. The BOC's interest rate measures are resulting in lower economic growth and inflation has been declining gradually; however, there remains uncertainty and upside risk. While the volatility of energy can have a significant impact on the monthly CPI readings, core inflation (which excludes food and energy) has been more persistent than expected. The three-month rates of core inflation have stayed elevated in the range of 3.5%-4% for the past year. In the BOC's Monetary Policy Report in October, forecast inflation for over the coming years was revised upwards from projections in July. A main reason for this is that while there is evidence that the economy is slowing, relieving price pressures, the progress has been slow and inflationary risks have increased, which could keep inflation elevated above the BOC's 1%-3% target range for longer.

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 23% over the past two years. There are signs of relief from the most recent non-residential Construction Price Index increase of 6.6% year over year in Q3 2023. Demand growth has been easing, and at the same time, supply has increased as global supply chain bottlenecks pressures have lessened.

### **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.

There is \$65.7 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 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 for approved debt are projected to rise to 6.9% of net own source revenue by 2026, 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 September 30, the town held \$184 million in securities, which has increased from \$176 million in Q3 2022. \$148.8 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 Council's strategic priority: Accountable Government.

**(E) CLIMATE CHANGE/ACTION**

Climate change/action is a key priority of Council. The proposed budget will incorporate climate change initiatives in alignment with this strategic priority.



**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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