

REPORT

Council

Meeting Date: September 16, 2024

FROM: Finance Department

DATE: September 3, 2024

SUBJECT: June 30, 2024 Financial Results

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the information contained in the staff report dated September 3, 2024, entitled *June 30, 2024 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 2024 capital budget be amended to add \$89,000 to project 53112202 Traffic By-law Review and Update, funded from the Capital Reserve.
4. That the 2024 capital budget be amended to add \$615,000 to project 43302401 Emergency Response Vehicles & Equipment, funded from the Fire Equipment Reserve.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Financial Results report presents the town's financial activities from January 1, 2024 to June 30, 2024.
- The total projected town variance after reserve transfers is \$4.69 million favourable or 1.8% of the tax levy.
- Total capital expenditures of \$210.3 million have been incurred year to date.
- A total of 28 capital projects have been identified for closure this period resulting in \$2.18 million being returned to reserves and reserve funds.
- A total of 35 tendered contracts and 6 single source awards in excess of \$100,000 were awarded during this period.
- Inflation continues to ease towards the Bank of Canada's 2% target, declining to an average of 2.7% throughout the second quarter of 2024. While many

core components have eased, service prices may keep inflation elevated in the near term.

BACKGROUND:

This report provides an update regarding the town’s financial activities from January 1, 2024 to June 30, 2024 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 \$4.69 million favourable or 1.8% of the tax levy for this period. Staff are currently in the process of determining the cost of the repair efforts to town assets from the July rain event and will provide the financial impact in a future report to Council. It should also be noted that the Storm Event reserve with a current balance of \$5.48 million is available should it be needed to offset the cost of repair efforts.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
Emergency Services	46.31	24.17	46.28	0.04
Road Network	33.04	20.40	30.79	2.25
Oakville Transit	38.95	23.44	37.48	1.47
Recreation and Culture	21.42	10.84	20.33	1.09
Parks and Open Spaces (incl. Cemetery and Harbours)	23.84	15.42	23.56	0.29
Oakville Public Library	12.18	5.81	11.97	0.21
Community Development	4.77	0.16	3.31	1.46
Political Governance	4.22	2.53	4.19	0.03
Municipal Enforcement (incl. Parking)	2.79	0.28	0.61	2.18
Corporate Support Services	40.29	18.68	38.80	1.49
Total Program Variance	\$ 227.81	\$ 121.74	\$ 217.30	\$ 10.51
Corporate Hearings & Litigation	0.50	0.34	0.60	(0.10)
Corporate Revenue & Expenses	(228.31)	(230.85)	(229.94)	1.63
Town Variance before transfers	\$ -	\$ (108.78)	\$ (12.03)	\$ 12.03
Policy Related and Recommended Transfers for Programs:				
Transfer investment surplus (to)/from Capital Reserve				(6.00)
Transfer (to)/from Building Enterprise Reserve				(0.06)
Transfer (to)/from Cemetery Reserve				0.00
Transfer (to)/from Harbours Reserve fund				0.04
Transfer (to)/from Parking Reserve fund				(1.33)
Transfer (to)/from Election Reserve				0.01
Total Town Variance after transfers				\$ 4.69

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 \$10.51 million favourable primarily due to personnel savings for various vacancies, higher revenue for aquatic

program registrations, film rental revenue at Centennial pool, higher parking fee and fine revenue, and higher Transit revenue.

The variance projected in Corporate Revenue & Expenses is primarily attributed to the following:

- (i) \$6.00 million in higher investment income and \$1.44 million in higher supplementary taxes
- (ii) \$1.82 million shortfall in corporate gapping budgeted for staff turnover with the offsetting savings found in the individual programs.
- (iii) \$1.08 million higher cost in benefits for retirees. The town does have a post-employment reserve that could be utilized to offset some of this variance at year end.
- (iv) \$1.76 million in revenue loss for the Automated Speed Enforcement (ASE) program as the start date is now expected to be late Q4 2024; savings in expenses associated with the ASE program are reflected in the Infrastructure Planning and Municipal Enforcement programs.
- (v) \$1.20 million in Tax Stabilization funding was budgeted as an interim measure to offset the Transit net revenue impact given the slower recovery of ridership that was anticipated during the 2024 budget process; given the overall town surplus, 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 \$12.03 million favourable.

Reserve Transfers

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.06 million to the Building Enterprise Reserve is projected. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election with their respective reserves and reserve funds which town staff is recommending be completed at year-end. Staff are also recommending that \$6.00 million in surplus investment income be transferred to the Capital Reserve given the size of the capital program. 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 \$4.69 million favourable representing 1.8% of the tax levy.

Program Variance – by revenue/expense type

The total projected program variance is \$10.51 million favourable and the most significant variances to budget by expense and revenue type are discussed below.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	195.50	91.85	189.77	5.73
Materials & Supplies	27.43	16.16	26.52	0.90
Capital out of Operations	0.35	0.11	0.30	0.05
Purchased Services	51.12	29.32	49.54	1.57
Payments & Grants	7.10	3.68	7.07	0.03
Internal Expenses & Transfers	58.69	37.61	58.05	0.64
Total EXPENSES	\$ 340.18	\$ 178.73	\$ 331.25	\$ 8.93
REVENUES				
External Revenues	(77.39)	(39.59)	(79.77)	2.38
Internal Recovery & Fund Transfers	(34.98)	(17.40)	(34.17)	(0.81)
Total REVENUES	\$ (112.37)	\$ (56.99)	\$ (113.95)	\$ 1.57
Total Programs	\$ 227.81	\$ 121.74	\$ 217.30	\$ 10.51

Personnel Services & Benefits - \$5.73 million favourable. The projected savings continue to reflect a more normative turnover rate and current labour market pressures where it has taken longer to fill and attract talent in some areas. The town budgets \$1.82 million in corporate gapping under Corporate Revenue and Expenses and actual savings of \$5.73 million are found in the individual program areas for a net variance of \$3.91 million. Like other employers, the town continues to experience some challenges in filling specialized full-time positions, some part-time positions, and temporary contract positions to meet capital project and supplemental staffing needs. The town's active recruitment strategy continues to be effective to help mitigate these challenges. Gapping has also been influenced by a rise in staff leaves (sick, maternity, parental, and family caregiver leaves). Overall projected savings continues a downward trend year-over-year since 2020.

Materials & Supplies and Purchased Services – total \$2.47 million favourable. This is primarily attributed to savings for winter control given fewer snow events at the beginning of the year as well as savings associated with the ASE program.

External Revenue - \$2.38 million favourable. This is primarily attributed to higher revenue for aquatic programs, film rental revenue at Centennial pool, parking fee and fine revenue and Transit revenue. Additional tree replacement deferred revenue has also been recognized to offset tree replacement contracted services.

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.

Recreation and Culture - \$1.09 million favourable

The projected variance shown below is primarily due to revenue for film rentals at Centennial pool and higher revenue for aquatic program registrations.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	19.17	8.43	19.14	0.03
Materials & Supplies	5.05	2.16	4.88	0.18
Capital out of Operations	-	0.01	0.01	(0.01)
Purchased Services	5.44	2.80	5.58	(0.14)
Payments & Grants	1.77	0.73	1.85	(0.08)
Internal Expenses & Transfers	12.19	8.14	12.14	0.05
Total EXPENSES	\$ 43.63	\$ 22.26	\$ 43.59	\$ 0.03
REVENUES				
External Revenues	(21.91)	(11.33)	(23.05)	1.14
Internal Recovery & Fund Transfers	(0.30)	(0.09)	(0.21)	(0.09)
Total REVENUES	\$ (22.21)	\$ (11.42)	\$ (23.26)	\$ 1.05
Total Recreation and Culture	\$ 21.42	\$ 10.84	\$ 20.33	\$ 1.09

Community Development - \$1.46 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 partially offset by lower subdivision agreement fee revenue.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	16.63	7.56	14.72	1.91
Materials & Supplies	0.08	0.03	0.06	0.02
Capital out of Operations	0.01	0.00	0.00	0.01
Purchased Services	0.61	0.33	0.49	0.12
Payments & Grants	0.15	0.05	0.14	0.01
Internal Expenses & Transfers	12.75	4.09	12.73	0.02
Total EXPENSES	\$ 30.23	\$ 12.06	\$ 28.14	\$ 2.09
REVENUES				
External Revenues	(23.22)	(10.79)	(22.42)	(0.80)
Internal Recovery & Fund Transfers	(2.24)	(1.11)	(2.41)	0.17
Total REVENUES	\$ (25.46)	\$ (11.90)	\$ (24.83)	\$ (0.63)
Total Community Development	\$ 4.77	\$ 0.16	\$ 3.31	\$ 1.46

Transit - \$1.47 million favourable

The projected variance shown below is primarily due to personnel savings for various vacancies and higher fare revenue.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	24.59	11.59	24.12	0.47
Materials & Supplies	6.87	3.22	6.73	0.13
Capital out of Operations	0.01	0.00	0.00	0.00
Purchased Services	6.04	4.55	5.80	0.24
Payments & Grants	1.19	0.84	1.20	(0.00)
Internal Expenses & Transfers	8.96	8.85	8.95	0.02
Total EXPENSES	\$ 47.66	\$ 29.05	\$ 46.81	\$ 0.86
REVENUES				
External Revenues	(6.71)	(3.65)	(7.35)	0.64
Internal Recovery & Fund Transfers	(2.00)	(1.96)	(1.98)	(0.02)
Total REVENUES	\$ (8.71)	\$ (5.60)	\$ (9.33)	\$ 0.62
Total Oakville Transit	\$ 38.95	\$ 23.44	\$ 37.48	\$ 1.47

Corporate Support Services - \$1.49 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 is partially offset by Tax Stabilization funding budgeted for various temporary items which will likely not be required given the town's overall projected surplus.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	41.47	19.63	40.01	1.47
Materials & Supplies	1.22	0.73	1.22	(0.00)
Capital out of Operations	0.04	0.02	0.03	0.00
Purchased Services	11.47	4.95	11.03	0.44
Payments & Grants	0.85	0.45	0.82	0.02
Internal Expenses & Transfers	1.12	1.18	1.12	0.00
Total EXPENSES	\$ 56.17	\$ 26.96	\$ 54.23	\$ 1.94
REVENUES				
External Revenues	(2.90)	(1.49)	(3.00)	0.10
Internal Recovery & Fund Transfers	(12.98)	(6.79)	(12.43)	(0.55)
Total REVENUES	\$ (15.88)	\$ (8.28)	\$ (15.44)	\$ (0.45)
Total Corporate Support Services	\$ 40.29	\$ 18.68	\$ 38.80	\$ 1.49

Municipal Enforcement (incl. Parking) - \$2.18 million favourable

The projected variance shown below is primarily due to savings for the Automated Speed Enforcement (ASE) program which is expected to start in late Q4 2024 and higher parking fee and fine revenue.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	4.85	2.47	4.91	(0.07)
Materials & Supplies	0.26	0.13	0.26	0.00
Capital out of Operations	0.02	0.01	0.02	0.00
Purchased Services	2.48	0.94	1.86	0.63
Payments & Grants	0.88	0.47	0.73	0.15
Internal Expenses & Transfers	1.69	0.95	1.68	0.01
Total EXPENSES	\$ 10.19	\$ 4.96	\$ 9.46	\$ 0.73
REVENUES				
External Revenues	(6.77)	(4.31)	(8.28)	1.52
Internal Recovery & Fund Transfers	(0.63)	(0.36)	(0.58)	(0.06)
Total REVENUES	\$ (7.40)	\$ (4.67)	\$ (8.86)	\$ 1.46
Total Municipal Enforcement (incl. Parking)	\$ 2.79	\$ 0.28	\$ 0.61	\$ 2.18

Road Network - \$2.25 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 as well as savings for winter control partially offset by lower winter control recoveries from the Region given fewer snow events at the beginning of the year.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q2 Actuals+ Commitments	Q2 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	19.06	8.84	18.03	1.03
Materials & Supplies	7.80	3.41	7.08	0.72
Capital out of Operations	0.15	0.01	0.11	0.03
Purchased Services	14.74	8.95	13.30	1.44
Payments & Grants	1.35	0.60	1.32	0.03
Internal Expenses & Transfers	9.53	6.80	9.29	0.24
Total EXPENSES	\$ 52.63	\$ 28.61	\$ 49.13	\$ 3.50
REVENUES				
External Revenues	(6.42)	(2.47)	(5.42)	(1.01)
Internal Recovery & Fund Transfers	(13.17)	(5.74)	(12.93)	(0.24)
Total REVENUES	\$ (19.60)	\$ (8.21)	\$ (18.34)	\$ (1.25)
Total Road Network	\$ 33.04	\$ 20.40	\$ 30.79	\$ 2.25

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$927.3 million. Total expenditures year-to-date of \$210.3 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$512.4 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	2024 Expenditures and Commitments	Total LTD Expenditures (incl. Prior Years)
46602104 Sixteen Mile Sports Complex and Library	104,862,000	54,461,335	91,467,199
54212307 Transit Facility Expansion	18,000,000	14,996,715	15,792,224
54412206 Electric Replacement Buses	12,733,000	12,236,494	12,255,494
54412104 Electric Replacement Buses	11,099,000	10,754,233	10,794,352
53361902 RWD Bridge Rehab over Metrolinx Rail	23,367,400	7,710,033	8,953,184
52212007 Wallace Park Redev and Washroom Exp/Reno	7,521,700	6,156,466	6,683,887
53332403 Road Resurfacing and Preservation Program	9,036,000	5,792,763	5,792,763
52212102 Sixteen Mile Sports Park - South Parcel	20,754,300	5,235,316	17,305,746
Total	\$ 207,373,400	\$ 117,343,355	\$ 169,044,848

Capital Budget Request: 53112202 Traffic Bylaw Review and Update (original budget = \$101,000)

The Town engaged CIMA Canada Inc. to conduct a thorough review and update of the Traffic By-law (1984-1). The primary objectives of this project were to update the by-law, ensure its relevance to current standards, industry best practices, and improve its overall clarity and functionality. The project comprised several critical components including review of by-law text to eliminate redundancies, correct references to schedules, and ensure consistent formatting, review of by-law schedules and to verify if field signage is consistent with the entries in the by-law schedules.

Due to the unique nature of this project, the consultant faced difficulties in accurately estimating the scope of work at the beginning, leading to underestimation of the resources and time needed to complete the project. Both the town and consultant also encountered unforeseen challenges during the project that necessitated additional work which was required to ensure successful completion of the project. Staff are requesting that the 2024 capital budget be amended to add \$89,000 to project 53112202 Traffic Bylaw Review and Update funded from the Capital Reserve.

Capital Budget Request: 43302401 Emergency Response Vehicles & Equipment (original budget = \$3,372,300)

The Town has issued two separate RFPs for emergency response vehicles. One RFP included a replacement aerial unit and the other RFP was for a replacement pumper unit. The town received numerous respondents on both RFPs; however, for both vehicles, the lowest compliant bids were over the budget amount. The total shortfall is \$615,000 and is due to increasing costs for raw materials which have driven up the price of steel and stainless-steel components. Staff considered deferring the purchase into 2025; however, a delay of several months would likely result in a further increase to the pricing and would also delay the arrival of the units to be put into service. Aerial unit delivery is almost a two year build timeframe.

Staff are requesting additional funding from the Fire Equipment Reserve for this project to ensure enough funds are available to complete the purchase. This will reduce the Fire Equipment Reserve’s projected year-end balance to \$740,000. As a result, staff will need to consider increasing the reserve transfers as part of the 2025 operating budget to ensure the Fire Equipment Reserve returns to a healthy balance in the long-term.

Capital Budget Transfers and Closures

Project consolidations and splits involve reallocating the original funding and scope of work between Council approved projects to facilitate effective management of the projects with no change to the original scope of work or funding requirements. The following project consolidations and splits occurred during this period.

Project	Transfer To/ (From)
71102406 DCH – Library (<i>new project</i>)	5,587,100
46602302 DCH - Centennial Square (Downtown Cultural Hub)	(5,587,100)
53112401 - Transportation and Engineering Capital Replacement	22,500
53112201 - Transportation and Engineering Capital Replacement	(22,500)

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
52902415	Harbours Hydraulic Trailer	\$ 10,000	Capital project 52902209 Harbours Equipment Replacement	Additional funding requested due to increased cost for the hydraulic trailer since an estimate was prepared during the 2024 budget process. Funding is available from savings in project 52902209 Harbours Equipment Replacement.
42102407	Facility Emergency Repairs	\$ 80,000	Building Maintenance Reserve Fund	Funding requested for emergency repairs at Bronte Pool as cracking is occurring in the center of the pool, along the base walls, diagonally from each of the four pool corners to the center, and vertically up the walls at the deeper end of the pool. Repairs will maintain structural integrity for at least two seasons.
46402203	Wedgewood Pool Rehabilitation	\$ 50,000	General Capital Reserve	Upon removing the end of life pool liner during contract works, it was discovered that significant repairs are required to the pool tub concrete to create a smooth surface sufficient enough to receive the new pool liner. Additional funding is requested for the repair and preparation work which consists of chipping out and replacing delaminated concrete within the pool tub area as well as removing delaminating pool coatings which existed beneath the liner.

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. For this quarter, a total of 28 projects will be closed. These closures represent a net surplus of \$2.18 million, of which \$567 thousand will be returned to reserves and \$1.613 million will be returned to reserve funds (subject to minor adjustments at final project close out). 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	\$ 20,606.4	\$ 18,697.6	\$ (271.5)	\$ 2,180.3	\$ 566.8	\$ 1,613.5	\$ 2,180.3

Two projects being closed this quarter exceeded budget by more than 10%. One project was approved by Council on May 27 and will be funded by Capital Reserves.

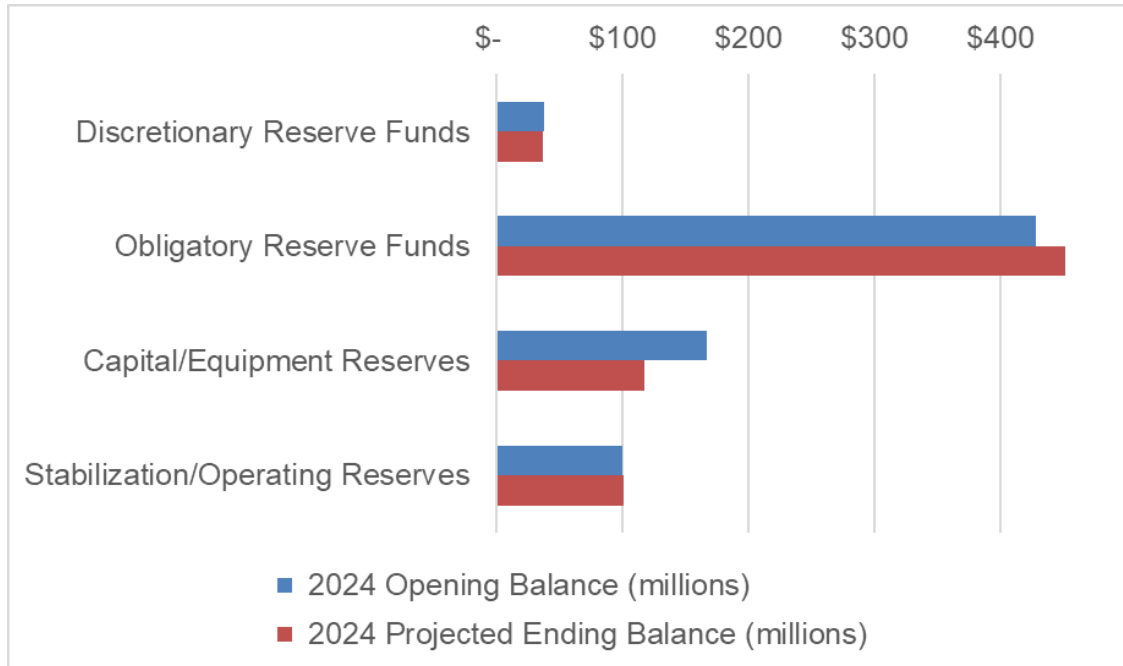
The other project amount is less than \$350,000, which the CAO has the authority to approve the required funding to close this project in accordance with town policy.

PROJECT TITLE	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT SHORTFALL/ FUNDING REQUIRED	%	EXPLANATION
52211603 Seawall Rehabilitation - Oakville Harbour	\$4,162,000	\$5,643,907	(\$1,481,907)	36%	Capital reserve will cover shortfall. Approved by Council on May 27, 2024
53321901 Downtown Lakeshore Const Mitigation	\$701,000	\$831,587	(\$130,587)	19%	Additional grant funding received through the Digital Service Squad program 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 2024 opening balances and 2024 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 the land purchase of 482 South Service Road, Royal Windsor Drive Bridge Rehabilitation, the new Fire station #9, Downtown Cultural Hub, and the replacement of Glen Abbey blue rink. Equipment reserves are expected to decrease as capital outlay is exceeding transfers from the operating budget.

Reserve Funds

Obligatory Reserve Funds are expected to increase from \$428.4 million to \$454.5 million, as expected revenue exceeds current year capital needs. Collections from the town’s growth funding tools (GFTs) of development charges, community benefits charges, and cash-in-lieu of parkland are on target to meet budget. It is important to note that legislative impacts are resulting in reduced collections from GFTs; however, these impacts were reflected in the budget. The mandatory phase-in of town’s current DC By-law has been repealed through the passage of Bill 185, the Cutting Red Tape to Building More Homes Act, 2024, on June 6th, 2024. This will

reduce the impact of DC revenue losses due to the phased-in rates, however rate freeze applications may still receive phased-in rates which will continue to impact future DC revenue collections. Capital spending is projected to be lower than expected, based on the current timing of construction for major projects. 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 \$283.0 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 \$7.1 million as at June 30, 2024, 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.

2024 Trust Funds (\$ Thousands)				
Trust Fund	2024 Opening Balance	2024 Activity		Balance at 6/30/2024
		Contributions	Transfers	
Cemetery Marker Care	402.0	8.7	-	410.7
Cemetery Perpetual Care	6,346.4	68.3	-	6,414.7
Library - Halton Information Providers	54.2	50.9	-	105.1
Burloak Canoe Club	38.9	-	-	38.9
Bronte Harbour Yacht Club	25.2	-	-	25.2
Oakville Power Boat Club	18.1	2.0	-	20.1
Bronte Community Tennis Club	25.6	-	-	25.6
Oakville Rugby Club	16.3	3.0	-	19.3
Oakville Yacht Squadron	10.9	2.0	-	12.9
Total	6,937.5	134.9	-	7,072.4

PURCHASING

In accordance with the town’s Purchasing By-law 2017-095, a summary of the competitive bids, contract renewals, additional funds awards, 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.

Appendix E also includes the additional fund awards from Q2 2023 to Q1 2024. These were inadvertently omitted from previous quarterly reports and have been included here in accordance with the town’s purchasing by-law

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 to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality, medium-term investments. For the period ended June 30, 2024, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$21.2 million, on a portfolio of cash and investments totaling \$1.1 billion (book value). The annualized rate of return based on average cash and investment holdings was 4.01%, with an average maturity of 4.98 years.

Bank interest and investment earnings increased dramatically over the past two years, driven by increased inflation and the Bank of Canada (BOC) raising the key interest rate to a height of 5.00%, the highest rate since 2001. However, the BOC has started to make cuts to this rate and is expected to continue to do so as inflation has moved closer to the 2% target. With 25 basis point cuts in both June and July, the policy rate now sits at 4.50%, and it is expected that multiple additional cuts could be made by the end of the year. Along with a corresponding decrease to the town's bank rate, fixed income yields have also shifted downwards as a result of lower inflationary expectations and the continued impact of higher rates on the economy.

While investment earnings are declining, they remain well above typical levels, and a surplus of \$6 million is projected for the town's investment income budget in 2024. As stated earlier in the report, it is recommended that the 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.

Economic Outlook

Inflation has been easing since headline inflation in Canada hit a high of 8.1% in June 2022. Through monetary policy, the BOC aims to target inflation at the 2% mid-point of its 1%-3% target range, with the goal of providing price stability and maximum sustainable employment. Higher interest rates have been working their way through the economy, resulting in lower economic growth and inflation. Year over year inflation was 3.4% in December 2023, and declined to an average of 2.7% throughout Q2, which was below the BOC's forecast of 2.9%. Shelter costs and labour cost growth are expected to continue to put upward pressure on services price inflation, though these pressures are expected to be offset by goods inflation as the economy is shifting into a position of oversupply. Geopolitical tensions remain a potential upside risk to the economy and inflation.

The economy has rebounded from essentially no growth in the latter half of 2023, with real GDP growth on track to rise to roughly 2% over the first half of 2024. However, this has been partially driven by population growth, which has also added to the supply of workers and cooled off the job market. The unemployment rate currently sits at 6.4% as of June 2024, and with falling inflation, the BOC has warned of downside risks to the economy. With the recent string of lower inflation levels confirming that broad-based easing in inflation is underway and the 2% target is in range, the BOC has now begun to cut the key interest rate and is expected to continue to do so over the remainder of the year. As interest rates continue to ease, economic growth is forecast to increase in the second half of 2024 and beyond, increasing both household and business confidence.

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.

Total principal outstanding at the beginning of the year was \$98.5 million and will increase to \$143.3 million at year end. To begin the year, the town had \$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. The region completed a debt issuance in April 2024, with \$50 million being issued for town capital projects. Further details are provided in Appendix G.

The town is in a strong financial position with total debt charges in 2024 at 2.97% of net own source revenue. Full annual debt charges are not incurred in the year of issuance. When considering full debt charges for newly issued debt, and approved debt that is not yet issued, total debt charges (including capital lease payments) for approved debt are projected to rise to 6.5% of net own source revenue by 2027, which remains well within town policy of 12% and the Ministry limit of 25%.

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, 2024, the town held \$180 million in securities, which has decreased from \$183 million in Q2 2023. \$138 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. 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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