

REPORT

Council

Meeting Date: December 16, 2024

FROM: Finance Department

DATE: December 3, 2024

SUBJECT: September 30, 2024 Financial Results

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the information contained in the staff report dated December 3, 2024, entitled *September 30, 2024 Financial Results* from the Finance Department, be received.
2. That \$6.42 million in surplus investment income be transferred to the Capital Reserve to provide additional funding to support the capital program.

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 September 30, 2024.
- The total projected town variance after reserve transfers is \$2.86 million favourable or 1.1% of the tax levy.
- Total capital expenditures of \$245.1 million have been incurred year to date.
- A total of 60 capital projects have been identified for closure this period resulting in \$4.53 million being returned to reserves and reserve funds.
- A total of 31 tendered contracts and 4 single source awards in excess of \$100,000 were awarded during this period.
- Inflation is now in the middle of the Bank of Canada's 1% to 3% target range, declining to an average of 2.0% throughout the third quarter of 2024.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2024 to September 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 \$2.86 million favourable or 1.1% of the tax levy for this period. Staff continue to determine the total 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. The Storm Event reserve, with a current balance of \$5.48 million, is available should it be needed to offset the cost of the repair efforts.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
Emergency Services	46.31	35.14	48.03	(1.72)
Road Network	33.04	26.71	29.89	3.14
Oakville Transit	38.95	30.15	37.46	1.49
Recreation and Culture	21.42	15.51	19.80	1.62
Parks and Open Spaces (incl. Cemetery and Harbours)	23.84	23.08	23.59	0.25
Oakville Public Library	12.18	8.87	11.90	0.28
Community Development	4.28	0.34	3.47	0.81
Political Governance	4.22	3.39	4.17	0.04
Municipal Enforcement (incl. Parking)	2.79	0.25	0.78	2.01
Corporate Support Services	40.78	27.52	38.81	1.97
Total Program Variance	\$ 227.81	\$ 170.96	\$ 217.91	\$ 9.90
Corporate Hearings & Litigation	0.50	1.08	1.40	(0.90)
Corporate Revenue & Expenses	(228.31)	(234.34)	(231.86)	3.55
Town Variance before transfers	\$ -	\$ (62.30)	\$ (12.55)	\$ 12.55
Policy Related and Recommended Transfers for Programs:				
Transfer investment surplus (to)/from Capital Reserve				(6.42)
Transfer (to)/from Storm Event Reserve				(2.21)
Transfer (to)/from Building Enterprise Reserve				0.18
Transfer (to)/from Cemetery Reserve				(0.00)
Transfer (to)/from Harbours Reserve fund				(0.08)
Transfer (to)/from Parking Reserve fund				(1.17)
Transfer (to)/from Election Reserve				0.01
Total Town Variance after transfers				\$ 2.86

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 \$9.90 million favourable, primarily due to savings in winter control given fewer snow events at the beginning of the year, personnel savings for various vacancies, and higher revenue for aquatic program registrations, film rentals at Centennial pool, parking fees and fines, and Transit.

The unfavourable variance projected in Corporate Hearings & Litigations is primarily due to additional legal fees. The variance projected in Corporate Revenue & Expenses is primarily attributed to the following:

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- (i) Favourable variances of an additional \$6.42 million in investment income, \$1.75 million in tax penalties and interest net of write-offs, and \$1.74 million in supplementary taxes.
 - (ii) \$1.82 million shortfall in corporate gapping budgeted for staff turnover with the offsetting savings found in the individual programs.
 - (iii) \$1.16 million higher cost in benefits for retirees, which has been reviewed and adjusted accordingly as part of the 2025 budget process.
 - (iv) \$1.76 million in lost revenue for the Automated Speed Enforcement (ASE) program as the start date is now expected to be January 2025; 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 anticipated during the 2024 budget process; given the overall town surplus, it is projected that the Tax Stabilization funding will not be required.
 - (vi) \$0.92 million in Tax Stabilization funding budgeted for temporary items such as Winter Recreation Strategy, HR resources and others, is included in the relevant program projections; given the overall town surplus, it is projected in Corporate Revenue & Expenses that this 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 \$12.55 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 \$0.18 million from 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 the savings in winter control be transferred to the Storm Event reserve and that the surplus investment income be transferred to the Capital Reserve given the size of the capital program. As discussed as part of the 2025 Budget, the capital reserve is projected to be in a negative position in 2031 due to a variety of pressures over the coming years. The recommendation to transfer the surplus investment income to the Capital Reserve will help address the financial pressures on the capital program. After all policy related and recommended transfers, the total projected town variance after transfers is \$2.86 million favourable representing 1.1% of the tax levy.

Program Variance – by revenue/expense type

The total projected program variance is \$9.90 million favourable and the most significant variances to budget by expense and revenue type are discussed below.

	2024	2024	2024	2024
\$ Millions	Annual	Q3 Actuals+	Q3 Year-end	Variance to
	Budget	Commitments	Projection	Budget
EXPENSES				
Personnel Services & Benefits	195.50	142.15	190.94	4.56
Materials & Supplies	27.43	22.60	25.75	1.68
Capital out of Operations	0.35	0.16	0.40	(0.04)
Purchased Services	51.12	39.18	48.40	2.72
Payments & Grants	7.10	5.42	6.95	0.15
Internal Expenses & Transfers	58.69	45.36	58.10	0.59
Total EXPENSES	\$ 340.18	\$ 254.87	\$ 330.53	\$ 9.65
REVENUES				
External Revenues	(77.39)	(59.03)	(79.32)	1.93
Internal Recovery & Fund Transfers	(34.98)	(24.88)	(33.31)	(1.68)
Total REVENUES	\$ (112.37)	\$ (83.91)	\$ (112.62)	\$ 0.25
Total Programs	\$ 227.81	\$ 170.96	\$ 217.91	\$ 9.90

Personnel Services & Benefits - \$4.56 million favourable (or \$2.74 million favourable after considering the \$1.82 million budgeted gapping in the corporate section). As of September 30, 2024, the town's voluntary turnover rate is 4.3% and total turnover is 4.8%, trending towards to a normative annual rate of between 6-7%. The average annual vacancy rate for full time permanent positions continues to be on the decline. As of September 30, the town's average vacancy rate is 6.3% (N=77) with 69 actual vacancies at the end of Q3. Continuing labour market pressures have resulted in some positions taking longer to fill and attract talent. 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 active recruitment strategy continues to be effective to help mitigate our challenges. Gapping also continues to be 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. The budgeted gapping for the town has been increased from \$1.97 million in 2024 to \$2.97 million in the staff-prepared, draft 2025 budget to reflect expected trends.

Materials & Supplies and Purchased Services – total \$4.40 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 - \$1.93 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.

Internal Recovery & Fund Transfers - \$1.68 million unfavourable. This is primarily due to lower internal vehicle recovery from less usage of winter control equipment.

Program Variance – by program

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

Emergency Services - \$1.72 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	2024	2024	2024	2024
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	39.97	29.95	41.49	(1.52)
Materials & Supplies	0.90	0.78	1.01	(0.12)
Capital out of Operations	0.03	0.03	0.04	(0.01)
Purchased Services	2.34	1.33	2.42	(0.08)
Payments & Grants	0.05	0.04	0.04	0.00
Internal Expenses & Transfers	3.64	3.54	3.64	(0.00)
Total EXPENSES	\$ 46.92	\$ 35.67	\$ 48.64	\$ (1.72)
REVENUES				
External Revenues	(0.58)	(0.50)	(0.57)	(0.00)
Internal Recovery & Fund Transfers	(0.03)	(0.03)	(0.04)	0.01
Total REVENUES	\$ (0.61)	\$ (0.53)	\$ (0.61)	\$ 0.00
Total Emergency Services	\$ 46.31	\$ 35.14	\$ 48.03	\$ (1.72)

Community Development - \$0.81 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 building permit and subdivision agreement fee revenue.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	15.11	9.64	13.03	2.08
Materials & Supplies	0.08	0.04	0.05	0.03
Capital out of Operations	0.01	0.00	0.00	0.01
Purchased Services	0.59	0.41	0.44	0.15
Payments & Grants	0.15	0.12	0.14	0.00
Internal Expenses & Transfers	12.75	6.12	12.75	(0.01)
Total EXPENSES	\$ 28.69	\$ 16.33	\$ 26.43	\$ 2.27
REVENUES				
External Revenues	(23.22)	(15.16)	(21.84)	(1.38)
Internal Recovery & Fund Transfers	(1.19)	(0.84)	(1.11)	(0.08)
Total REVENUES	\$ (24.41)	\$ (15.99)	\$ (22.95)	\$ (1.46)
Total Community Development	\$ 4.28	\$ 0.34	\$ 3.47	\$ 0.81

Transit - \$1.49 million favourable

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

\$ Millions	2024 Annual Budget	2024 Q3 Actuals+ Commitments	2024 Q3 Year-end Projection	2024 Variance to Budget
EXPENSES				
Personnel Services & Benefits	24.59	18.06	24.13	0.46
Materials & Supplies	6.87	4.86	6.54	0.33
Capital out of Operations	0.01	0.00	0.01	0.00
Purchased Services	6.04	4.85	5.99	0.05
Payments & Grants	1.19	0.95	1.22	(0.02)
Internal Expenses & Transfers	8.96	8.93	8.97	(0.01)
Total EXPENSES	\$ 47.66	\$ 37.66	\$ 46.85	\$ 0.81
REVENUES				
External Revenues	(6.71)	(5.53)	(7.40)	0.69
Internal Recovery & Fund Transfers	(2.00)	(1.98)	(1.99)	(0.01)
Total REVENUES	\$ (8.71)	\$ (7.51)	\$ (9.39)	\$ 0.68
Total Oakville Transit	\$ 38.95	\$ 30.15	\$ 37.46	\$ 1.49

Recreation and Culture - \$1.62 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 Annual Budget	2024 Q3 Actuals+ Commitments	2024 Q3 Year-end Projection	2024 Variance to Budget
EXPENSES				
Personnel Services & Benefits	19.17	14.21	18.78	0.40
Materials & Supplies	5.05	3.48	5.06	(0.01)
Capital out of Operations	-	0.01	0.00	(0.00)
Purchased Services	5.44	4.26	5.75	(0.31)
Payments & Grants	1.77	1.44	1.73	0.05
Internal Expenses & Transfers	12.19	10.17	12.24	(0.04)
Total EXPENSES	\$ 43.63	\$ 33.57	\$ 43.55	\$ 0.08
REVENUES				
External Revenues	(21.91)	(17.93)	(23.55)	1.64
Internal Recovery & Fund Transfers	(0.30)	(0.13)	(0.21)	(0.09)
Total REVENUES	\$ (22.21)	\$ (18.06)	\$ (23.76)	\$ 1.55
Total Recreation and Culture	\$ 21.42	\$ 15.51	\$ 19.80	\$ 1.62

Corporate Support Services - \$1.97 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 higher revenues from leased corporate properties.

\$ Millions	2024 Annual Budget	2024 Q3 Actuals+ Commitments	2024 Q3 Year-end Projection	2024 Variance to Budget
EXPENSES				
Personnel Services & Benefits	42.99	30.58	41.60	1.40
Materials & Supplies	1.22	1.12	1.25	(0.04)
Capital out of Operations	0.04	0.03	0.05	(0.01)
Purchased Services	11.49	7.08	10.73	0.77
Payments & Grants	0.85	0.73	0.92	(0.07)
Internal Expenses & Transfers	1.12	0.94	1.47	(0.35)
Total EXPENSES	\$ 57.71	\$ 40.47	\$ 56.00	\$ 1.71
REVENUES				
External Revenues	(2.90)	(2.55)	(3.46)	0.56
Internal Recovery & Fund Transfers	(14.04)	(10.39)	(13.74)	(0.30)
Total REVENUES	\$ (16.93)	\$ (12.95)	\$ (17.20)	\$ 0.26
Total Corporate Support Services	\$ 40.78	\$ 27.52	\$ 38.81	\$ 1.97

Municipal Enforcement (incl. Parking) - \$2.01 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 January 2025 and higher parking fee and fine revenue.

\$ Millions	2024 Annual Budget	2024 Q3 Actuals+ Commitments	2024 Q3 Year-end Projection	2024 Variance to Budget
EXPENSES				
Personnel Services & Benefits	4.85	3.71	4.96	(0.11)
Materials & Supplies	0.26	0.18	0.26	0.01
Capital out of Operations	0.02	0.01	0.02	0.00
Purchased Services	2.48	1.36	1.82	0.67
Payments & Grants	0.88	0.58	0.70	0.18
Internal Expenses & Transfers	1.69	1.32	1.66	0.03
Total EXPENSES	\$ 10.19	\$ 7.17	\$ 9.41	\$ 0.78
REVENUES				
External Revenues	(6.77)	(6.42)	(8.00)	1.23
Internal Recovery & Fund Transfers	(0.63)	(0.50)	(0.63)	0.00
Total REVENUES	\$ (7.40)	\$ (6.92)	\$ (8.63)	\$ 1.23
Total Municipal Enforcement (incl. Parking)	\$ 2.79	\$ 0.25	\$ 0.78	\$ 2.01

Road Network - \$3.14 million favourable

The projected variance shown below is primarily due to personnel savings for various vacancies as well as savings for winter control. This is partially offset by lower external revenue for winter control recoveries from the Region and lower internal vehicle recovery due to less usage of winter control equipment given fewer snow events at the beginning of the year.

\$ Millions	2024	2024	2024	2024
	Annual Budget	Q3 Actuals+ Commitments	Q3 Year-end Projection	Variance to Budget
EXPENSES				
Personnel Services & Benefits	19.06	13.23	17.80	1.26
Materials & Supplies	7.80	4.74	6.25	1.56
Capital out of Operations	0.15	0.02	0.14	0.01
Purchased Services	14.74	12.45	12.29	2.45
Payments & Grants	1.35	0.91	1.33	0.03
Internal Expenses & Transfers	9.53	7.70	8.92	0.61
Total EXPENSES	\$ 52.63	\$ 39.05	\$ 46.72	\$ 5.92
REVENUES				
External Revenues	(6.42)	(3.25)	(4.81)	(1.61)
Internal Recovery & Fund Transfers	(13.17)	(9.09)	(12.01)	(1.16)
Total REVENUES	\$ (19.60)	\$ (12.34)	\$ (16.82)	\$ (2.77)
Total Road Network	\$ 33.04	\$ 26.71	\$ 29.89	\$ 3.14

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$914.8 million. Total expenditures year-to-date of \$245.1 million have been incurred, bringing the total life-to-date or cumulative spending in active projects to \$531.2 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	54,518,145	91,524,010
53361902 RWD Bridge Rehab over Metrolinx Rail	23,367,400	19,861,244	21,104,395
54212307 Transit Facility Expansion	23,000,000	14,973,538	15,769,047
54412104 Electric Replacement Buses	11,099,000	10,839,803	10,879,922
52212007 Wallace Park Redev and Washroom Exp/Reno	7,521,700	5,543,031	6,070,451
52212102 Sixteen Mile Sports Park - South Parcel	20,754,300	6,237,478	18,307,908
53332403 Road Resurfacing and Preservation Program	9,036,000	5,250,876	5,250,876
54212301 Capital Lease for Charging Infrastructure	8,505,100	4,912,333	7,011,823
Total	\$ 208,145,500	\$ 122,136,450	\$ 175,918,432

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)
53392303 Sixteen Mile Creek Outfalls South of QEW - Rehabilitation	673,000
53372008 Outfall Rehabilitation and Works	(673,000)

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.

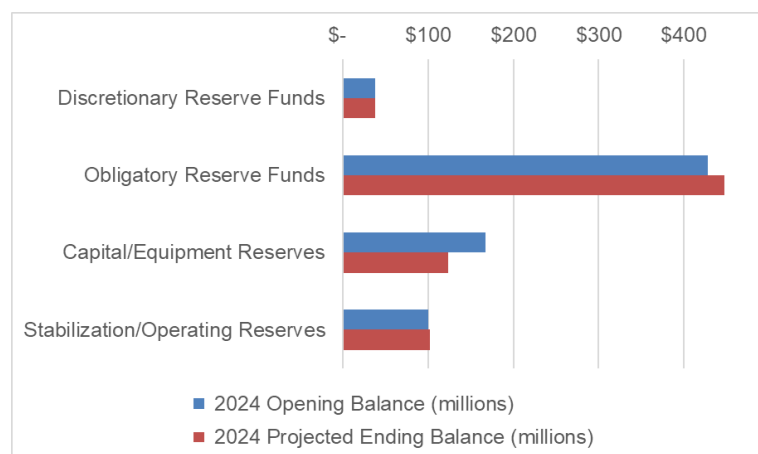
Project No.	Project Title	Total Approved	Reserve, Reserve Fund or Other Financing Source	Note
52212008	Seawall Installation - Berta Point - Bronte Harbour	\$ 80,000	General Working Capital Reserve	Additional funding is requested for the seawall construction and repair due to increased costs. The project was tendered twice previously and the bids were over the budgeted amount. The project was tendered a third time with the lowest bidder coming in \$80,000 over the available budget.
52242314	Deer Run Park Renewal	\$ 50,000	General Working Capital Reserve	Additional funding is requested due to the following: 1) The project was initially estimated and budgeted in 2022. Since that time the cost of steel (the majority of the backstop is steel) has risen significantly. 2) The backstop is being replaced in sandy soils and to ensure the integrity of the installation, the department undertook borehole testing and soil analysis to ensure the stability of the backstop foundations. 3) The backstop is being slightly expanded to ensure the screening covers the players benches for safety and corporate liability.
43302403	Fire Station 9 Aerial	\$ 211,000	Fire Development Charges Reserve Fund	Additional funding is requested for rising costs due to inflation and increases in raw materials, such as steel, which have significantly driven up the price of a new Aerial unit with apparatus prices nearly doubling over the past eight years.
36102409	Operational Technology Segmentation	\$ 105,000	36102303 IT Security Strategy	Additional funding is requested as the the original approved project was based on a high-level scope. During the project discovery phase, the need for a dedicated Business Analyst was required to assist with requirement gathering, network devices discovery as well as testing. Budgetary estimates for the required hardware (bill of materials) could only have been finalized after the design phase.

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 60 projects will be closed. These closures represent a net surplus of \$4.53 million, of which \$1.77 million will be returned to reserves and \$2.76 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 Variance	Reserves (Capital & Equipment)	Reserve Funds (DC & Dedicated)	Total to/(from) Reserve/ Reserve Funds
Net Impact	\$ 25,030.8	\$ 20,501.4	\$ 4,529.3	\$ 1,771.3	\$ 2,758.1	\$ 4,529.3

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.



*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.

The 2024 opening balances and 2024 projected ending balances are shown below with further details of individual reserve and reserve funds in Appendix D.

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, 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 \$449.7 million, as expected revenue exceeds current year capital needs. Overall, collections from the town's growth funding tools (GFTs) of development charges, community benefits charges, and cash-in-lieu of parkland are expected to meet the 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 had since reduced 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 \$277.8 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 at September 30, 2024 as detailed in the following table. Interest and investment earnings are allocated based on the proportionate balance at year end in accordance with policy and procedures.

2024 Trust Funds (\$ Thousands)				
Trust Fund	2024 Opening Balance	2024 Activity		Balance at 9/30/2024
		Contributions	Transfers	
Cemetery Marker Care	402.0	14.0	-	416.0
Cemetery Perpetual Care	6,346.4	93.6	-	6,440.0
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	165.5	-	7,103.0

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 to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality, medium-term investments. For the period ended September 30, 2024, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts, was \$32.3 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 4.03%, with an average maturity of 5.04 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, with inflation cooling down and within the 1%-3% target range, the BOC has steadily reduced the key interest rate to 3.75% and is expected to continue to do so in December. Along with a corresponding decrease to the town's bank rate, fixed income yields have also shifted downwards due to lower inflationary expectations.

While investment earnings are declining, they remain well above typical levels. \$6 million in surplus investment income earned at Q2 was transferred to the capital reserve as approved in the June 30, 2024 Financial Results report, and an additional \$6.42 million in surplus investment income is included in this report. Staff

budget investment income based on average rates over time and projected portfolio balances to mitigate the potential impact on the tax levy in a declining rate environment. Appendix F provides details on the components of the town's investment portfolio.

Economic Outlook

Inflation has been easing since hitting 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. Year over year inflation averaged 2.0% in the third quarter and came in at 2.0% in October as well.

Higher interest rates have resulted in lower economic growth and inflation, leading the BOC to steadily cut interest rates since June. The economy has cooled, with GDP tracking around 1% for the third quarter and the unemployment rate at 6.5% in October, leading to the likelihood of further interest rate cuts on the horizon to stabilize the economy. There remain potential risks to the Canadian economy, including ongoing geopolitical tensions and the change in government in the United States which could impact the current trade relationship and inflation.

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. Additional debt was approved in October 2024 in the amount of \$5.0 million for the Oakville Transit Garage Facility expansion. 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.

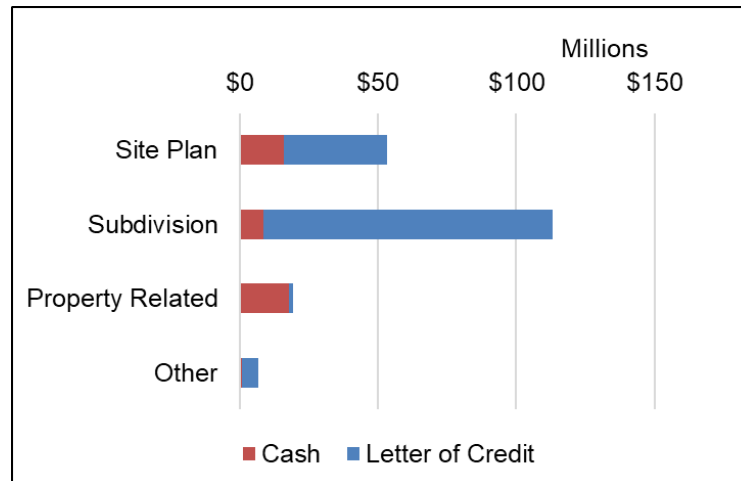
The town is in a strong financial position with total debt charges in 2024 at 2.97% of net own source revenue. Full annual debt charges are not incurred in the year of issuance. When considering full debt charges for newly issued debt, and approved debt that is not yet issued, total debt charges (including capital lease payments) for approved debt are projected to rise to 6.1% of net own source revenue by 2026, 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. The town draws on securities when deficiencies identified through the inspection process are not corrected.

Site plan and subdivision securities primarily relate to large scale residential and non-residential developments within the town and are predominantly secured by letter of credit. Property related securities are predominantly cash securities which safeguard development that requires permits i.e. site alteration, road cut, tree preservation etc. Other securities relate to miscellaneous security requirements relating to special events, temporary structures, election signage etc. As of September 30th, the town held \$192 million in securities, which has increased from \$184 million in Q3 2023. \$139 million, or 78%, are secured by letters of credit and the remainder is cash. The below chart shows the securities held by type.



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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