

	THE CORPORATION OF THE TOWN OF GRAVENHURST	
	To:	Committee of the Whole
	From:	Ross Jeffery, Director of Financial Services and Treasurer
	Date:	April 18, 2023
	Subject:	2022 Operations – Year End Report No. FIN 2023-08

RECOMMENDATIONS

The Director of Financial Services and Treasurer recommends:

THAT Report No. FIN 2023-08 re: 2022 Operations – Year End be received for information;

AND THAT the 2022 Operating Surplus of \$975,801 subject to final auditing adjustments, be transferred to the Community Reinvestment Reserve effective December 31, 2022.

PURPOSE

The purpose of the 2022 Operations – Year End Report is to provide an overview of financial performance for the year and recommend the appropriate management of the 2022 Year End Operating Surplus.

BACKGROUND

The Operating Budget funds the day-to-day activities and initiatives in the community. The Variance Reporting schedule approved each year ensures quarterly updates are provided to Council on the financial performance of Town Operations. As well, the Senior Leadership Team (SLT) conducts regular variance reviews in order to identify trends and take corrective actions to ensure compliance with legislation and Council expectations, including the approved Budget. As per the *Municipal Act, 2001*, municipalities may not budget for an operating deficit. Any operating deficit/surplus at year-end should be addressed either at year-end or early in the subsequent year. The Town may have an operating surplus for a combination of reasons including:

- **Prudent stewardship of Town resources:** Managing within budget is an important expectation of the Senior Leadership Team, and an Operating Variance of +/- 3% range falls within a standard tolerance for a municipal operation.

- **Unique (and often one-time) situations in-year:** Some examples include staff vacancies that are temporarily unfilled or salary gapping, revenues that significantly exceed expectations one-time grant opportunities, etc.
- **A decision to defer or cancel a program or service:** In this case the funding allocation is simply not used.

Where an operating surplus exists, the Town has a [policy](#) adopted by Council on November 19, 2019, to transfer the operating surplus to the Community Reinvestment Reserve.

ANALYSIS

2022 has largely followed the pattern of 2021 and 2020. The Town operating surplus for the 2022 Financial Year is \$975,801 which is 5.5% of net expenditures (see Table 1 on next page). This is comparable to the operating surpluses in the previous two year (2021: \$1,274,043 and 2020: \$1,006,249) but significantly higher than average surpluses in prior years.

There were a number of significant drivers of the 2022 operating surplus:

- **The on-going COVID-19 pandemic** spilled over into 2022 and resulting in facility closures and service reductions, primarily in Recreation and Culture, until their re-openings early in the year. As a result, there were operating savings in Community Events, the Opera House, and the YMCA.
- **Unprecedented development activity** consistent with the trend across Muskoka and indeed the whole Province of Ontario continued to put tremendous pressure on the Development Services department with both Planning and the Building seeing record levels of applications and permit requests. This resulted again in record high levels of Planning and Building revenues.
- **Staff cost savings were substantial in 2022** across all departments. Positions were difficult to fill despite multiple job postings and aggressive efforts to recruit. The opening up of the job market across the province; less than competitive wages/benefits; and housing affordability contributed to make it a challenge to bring on board the talent and skills required. This resulted in savings in staff costs, but also posed several operational challenges and put pressure on existing staff particularly in the areas of Planning, Building and By-law enforcement.
- **Corporate Administration revenues** saw increases and favourable variances to budget. Supplemental tax billings mirrored the increase in building permit requests, the issuance of occupancy permits and subsequent assessments by the Municipal Property Assessment Corporation (MPAC). Investment revenue was up following the rise in interest rates during the year. And finally, a review of our Payments in Lieu of Taxes

from other governments increased revenues and added to the overall favourable variance compared to budget.

- **Inflationary Pressures** particularly in fuel, materials and supplies, and contracted services impacted Fire & Emergency Services as they dealt with increased training requirements and Infrastructure Services as they dealt with winter control to finish the year. Fortunately these cost pressures were offset by the above favourable variances.

Table 1

TOWN OF GRAVENHURST
2022 Year End Operations - Financial Summary
 As of December 31, 2022

<u>Town Departments</u>	<u>2022 Net Spend</u>	<u>2022 Net Budget</u>	<u>% Utilized</u>
Council	290,436	291,300	99.7%
Office of the CAO	738,339	752,600	98.1%
Legislative Services	441,676	536,194	82.4%
Financial Services	626,398	669,950	93.5%
Fire & Emergency Services	1,078,173	1,047,764	102.9%
Recreation & Culture	863,697	1,112,963	77.6%
Development Services	909,610	1,245,212	73.0%
Infrastructure Services	5,067,762	4,773,049	106.2%
Corporate Administration	5,332,056	5,824,219	91.5%
Town Departments	15,348,147	16,253,251	94.4%
<u>Town Partners</u>			
Community Policing	7,142	2,600	274.7%
Gravenhurst BIA	47,828	49,552	96.5%
Chamber of Commerce	58,019	59,049	98.3%
Community Contributions	79,400	79,400	100.0%
Muskoka Discovery Centre	161,696	175,000	92.4%
YMCA	298,820	358,000	83.5%
Public Library Board	679,124	679,125	100.0%
Town Partners	1,332,029	1,402,726	95.0%
NET TOWN BUDGET	16,680,176	17,655,977	94.5%

Note: The numbers in Table 1 are unaudited

As per the Policy approved by Council on November 19, 2019, the operating surplus of \$975,801 is to be transferred to the Community Reinvestment Reserve. This contributes towards a provision for the debt balloon payment of \$3,640,000 that comes due in December 2024. This is a part of a longer-term plan to retire external debt and provide more flexibility to accomplish longer term financial goals. The Community Reinvestment Reserve also serves to facilitate internal borrowing to fund the capital budget and multi-year plan thereby reducing the future need to raise funding through taxation.

CONSULTATION

The following individuals / community groups were consulted:

- Pahapill and Associates, Chartered Professional Accountants
- Senior Leadership Team
- Manager of Accounting and Deputy Treasurer

CORPORATE FINANCIAL IMPACT - nil

COMMUNICATIONS

This Report has been, and will continue to be, posted on the Town website.

FUTURE CONSULTATIONS - nil

CONCLUSIONS

Administration concludes that the transfer of 2022 operating surplus of \$975,801 to the Community Reinvestment Reserve as directed by Corporate Policy and recommended in this Report should be confirmed and approved.

CLIMATE CHANGE IMPLICATIONS

This Report does not contribute to meeting the intentions of the Climate Change Declaration.

RELATION TO STRATEGIC PLAN

This Report advances and supports the following elements of the Town of Gravenhurst Strategic Plan by:

Goal 5: Provide Better Municipal Service

5B: Exceptional municipal management and operational excellence

Report to: Committee of the Whole

Report Title: 2022 Operations – Year End

Date: April 18, 2023

The prudent stewardship of Town resources is a core responsibility for Administration and demonstrates the caliber of management and operational excellence expected to ensure short and long-term financial sustainability and stability.

RELATION TO OTHER MUNICIPAL REPORTS, PLANS OR APPLICABLE LEGISLATION

This Report related to other municipal reports, plans or applicable legislation including:

1. *Municipal Act, 2001*
2. A09-RES Corporate Policy on Reserves and Reserve Funds
3. 2022 Operating Budget
4. Town Asset Management and Long-Term Sustainability Plan (AMLTSP)

ATTACHMENTS - nil

RESPECTFULLY SUBMITTED BY:

Author: Ross Jeffery, Director of Financial Services and Treasurer

Approved by: Scott Lucas, Chief Administrative Officer