

 <p>GRAVENHURST GATEWAY TO MUSKOKA</p>	THE CORPORATION OF THE TOWN OF GRAVENHURST	
	To:	Committee of the Whole
	From:	Ross Jeffery, Director of Financial Services / Treasurer
	Date:	May 14, 2024
	Subject:	2023 Operations – Year End Report No. FIN 2024-04

RECOMMENDATIONS

The Director of Financial Services / Treasurer recommends:

THAT Report No. FIN 2024-04 re: 2023 Operations – Year End be received for information;

AND THAT the 2023 Operating Surplus of \$994,858 subject to final auditing adjustments be transferred to the Community Reinvestment Reserve effective December 31, 2023.

PURPOSE

The purpose of the 2023 Operations – Year End Report is to provide an overview of financial performance for the year and confirm the appropriate policy treatment of the 2023 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, Council expectations, and 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 Fund.

ANALYSIS

2023 continued to follow the trend of previous years with an operating surplus of \$994,858 which is 5.4% of net expenditures (see Table 1). This is comparable to the operating surpluses in the previous two years (2022: \$975,801, 5.5% and 2021: \$1,274,043, 7.4%). The ten-year financial projections of reserves and reserve funds uses the assumption of 3% surpluses. Any surpluses over that amount will better contribute to the reduction or avoidance of required new external debt.

The significant drivers of the 2023 operating surplus were as follows:

Development activity continues to show above budgeted revenue in the building services area although not as high as the records set in 2022 and 2021.

Staff Cost savings were again substantial in 2023 across many departments. Certain positions remain challenging to fill despite the enhanced efforts of our recruitment team. An updated market review of salaries and a municipal service delivery and organization review will provide direction going forward.

Corporate Administration revenues continue to see favorable variances in investment income and supplemental tax revenue. Interest rates held strong in 2023 and our investments saw good returns as presented in the 2023 Investment [summary](#) in March of this year. Increased supplemental tax revenue follows the increase in building permit requests with a one-two year time lag as the Municipal Property Assessment Corporation (MPAC) assesses the new builds. This correlates with building permit record highs set in 2022 and 2021.

Inflationary pressures in contracted services and materials and supplies impacted the Infrastructure Services and the Fire & Emergency Services Departments. Fortunately, these pressures were offset by the favourable variances in other departments and Corporate Administration.

Table 1

TOWN OF GRAVENHURST
2023 Year End Operations Financial Summary
As of December 31, 2023

<u>Department</u>	<u>Jan - Dec Net Spend</u>	<u>2023 Net Budget</u>	<u>% Utilized</u>
Council	287,294	305,400	94%
Community Partnerships	1,439,538	1,440,252	100%
Community Contributions	84,200	84,200	100%
Office of the CAO	803,948	781,100	103%
Legislative Services	373,375	456,550	82%
Financial Services	642,980	670,400	96%
Fire & Emergency Services	1,123,089	1,092,181	103%
Recreation & Culture	791,597	1,140,755	69%
Development Services	1,016,250	1,219,015	83%
Infrastructure Services	5,377,593	5,015,092	107%
Corporate Administration	5,492,343	6,222,120	88%
NET OPERATING BUDGET	17,432,207	18,427,065	95%

CONSULTATION

The following individuals / community groups were consulted:

- Senior Leadership Team
- Pahapill and Associates, Chartered Professional Accountants

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 the 2023 operating surplus of \$994,858 to the Community Reinvestment Reserve as directed by Corporate Policy and recommended in the Report should be confirmed and approved.

CLIMATE CHANGE IMPLICATIONS

This Report itself does not directly contribute to meeting the intentions of the Climate Change Declaration, though many items contained in the Operating Budget relate to the Town's adaptation and mitigation efforts.

RELATION TO STRATEGIC PLAN

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

Pillar 3: Effective Municipal Services

Goal 9: Continue to deliver best-in-class, responsive, efficient, and effective services

Goal 10: Ensure continued prudent financial and asset management planning

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. 2023 Operating Budget
4. Town Asset Management and Long-Term Sustainability Plan (AMLTSP)

ATTACHMENTS - nil

RESPECTFULLY SUBMITTED BY:

Author: Theresa Trott, Manager of Accounting / Deputy Treasurer

Approved by: Ross Jeffery, Director of Financial Services / Treasurer

Approved by: Scott Lucas, Chief Administrative Officer