

THE CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. DCAO-2024-0015

**FOR THE CONSIDERATION OF
COUNCIL**

October 9, 2024

SUBJECT: 2024 SEMI ANNUAL OPERATING FINANCIAL REPORT

1. RECOMMENDATION:

1. That Council receive Report No. DCAO-2024-0015 prepared by the Financial Controllership and Reporting Division of the Office of the Deputy CAO dated October 9, 2024 respecting the 2024 Semi Annual Operating Financial Report.

2. PURPOSE:

The purpose of this report is to provide Members of Council with a summary of the projected operating revenues and expenses to December 31, 2024. Included in the projection are actuals to June 30, 2024.

3. BACKGROUND:

Town management is accountable for operating and maintaining actual spending that is in accordance with the 2024 council approved budget.

Table 1 below summarizes the 2024 adopted budget:

Summary of 2024 Approved Budget

Council Approved	Budget	Tax Levy Supported (includes Library)	Water and Wastewater Rate Supported
Operating Budget Total*	\$96,405,410	\$76,569,250	\$19,836,160

*Includes in year budget approvals

The semi annual operating report will provide projected year-end Tax Levy supported and Water and Wastewater Rate supported variance analysis. Included in the projection are actuals as of June 30, 2024.

The budget status of the capital projects will be captured on the new capital project dashboard that is available online.

4. ANALYSIS:**Tax Levy Supported**

The Tax Levy supported 2024 forecasted annual operating variance is estimated to be \$301,859; which represents 0.39% net variance from gross operating tax levy budget. It is important to note that the financial projections presented include actuals as of June 30 and expected future activities to year-end as known and anticipated as at June 30, 2024. Details are summarized below:

	Projected December 31, 2024*	2024 Budget	Variance	Additional Notes
Revenue				
Tax Levy	(55,288,070)	(55,288,070)	-	-
Payment In Lieu & Supplemental Taxes	(1,213,649)	(955,000)	258,649	A
Development Fees	(5,024,662)	(3,818,000)	1,206,662	B
User Fees and Service Charges	(5,338,234)	(4,724,540)	613,694	C
Donations, Grants & Misc Revenues	(457,514)	(455,630)	1,884	-
Lease and Rental	(625,549)	(566,540)	59,009	-
Transfer Payments and Recoveries	(1,483,251)	(1,320,200)	163,051	D
Interest and Penalty	(2,445,224)	(2,240,890)	204,334	E
Provision from Reserve	(6,245,529)	(7,200,380)	(954,851)	F
Revenue Total	(78,121,682)	(76,569,250)	1,552,432	
Expense				
Salaries and Benefits	43,723,061	43,157,200	(565,861)	C, D, G
Staffing Other Direct Expenses	1,130,884	1,130,570	(314)	-
Consulting Services	67,158	82,500	15,342	-
Contracted Services	6,069,621	6,207,280	137,659	J
Hydro/Sewer/Gas	2,282,541	2,070,250	(212,291)	H
Other Direct Costs	4,681,409	4,384,610	(296,799)	I, C
Supplies and Maintenance	3,266,318	2,977,510	(288,808)	J, D
Donations & Grants	613,772	642,500	28,728	-
Contributions to Capital Reserves	9,799,630	9,799,630	-	-
Contributions to Operating Reserves	2,317,856	1,194,260	(1,123,596)	B
Contributions to Growth Reserves	201,930	201,930	-	-
Debenture Repayment	3,665,643	4,721,010	1,055,367	F
Expense Total	77,819,823	76,569,250	(1,250,573)	
Net Tax Levy Projected Surplus	(301,859)	-	301,859	

*Includes actuals as of June 30, 2024

A – Supplemental Taxes

The Town has experienced higher than anticipated supplemental tax revenue in 2024. The year-end is forecasted to be a at favourable variance of \$258,000.

B – Building

A favourable net variance is projected at year-end of \$1.2 million for building construction permits. The surplus will be allocated to the building reserve resulting in no net impact to the bottom line. Per the Building Code Act, the building division is mandated to be self-funded. Any surplus or deficit at year-end from the building division is either contributed or drawn from this reserve.

C – Additional User Fee & Service Revenue

Community Services:

Based on the positive trend of the recreation and parks program this year, it is expected that the annual revenues will be higher-than-expected. The projected additional annual revenues are forecasted to be \$414,000 - Breakdown below:

Program Details:	Forecasted additional revenue:
Ice Rentals	\$105,000
MURC	\$42,000
TNT (ROC Park)	\$115,000
Day Camps	\$83,000
Stephen Leacock Theatre	\$34,000
General Programs (Facilities/Recreation/Parks)	\$35,000

This positive variance in revenues has resulted in a pressure on the Town operating expenditures which were required to support the program. The estimated annual pressure on salaries and benefits is \$350,000. In addition to this, the estimated annual pressure for other direct costs is \$50,000.

Fire and Rescue Services:

Additional staffing and overtime were required at station 1-8 to address risks relating to response times for the bridge repairs on Pefferlaw road which resulted in additional operating staffing pressures. Fire and Rescue Services are forecasting to recover these pressures in full from York Region. The estimated annual impact is \$290,000. There will be no net financial impact to the Town.

D – Transfer Payments and Recoveries

Recoveries from other municipalities and government organizations were higher than anticipated. However, majority of the revenue is offset by the associated program expenditures.

E – Interest and Penalty

The investment income is expected to have a favourable variance of \$117,000. Penalty income is expected to have a favourable variance of \$87,000.

F – MURC Debenture

Due to the timing of the debenture issuance, the debenture repayment and draw from the Development Charges reserve will be accrued and pushed into 2025. There is no impact to the operating tax levy.

G – Benefits (Payroll costs)

The payroll costs for Sunlife benefits, relating to usage, are trending higher than anticipated. These costs include health, dental and other employee benefits which are contributing to a pressure of \$300,000.

H – Hydro/Sewer/Gas

The hydro cost for street lighting is projected to exceed the budgeted amounts by the end of the year, which will result in \$136,000 pressure.

MURC is also experiencing higher than budgeted hydro and gas costs. The anticipated pressure is \$65,000. As per resolution C-2023-0285, report no. CSD-2023-0006, any net additional costs in the first year of operations will be covered by the Operating Growth Reserve.

I – Other Direct Costs

IT is experiencing budget pressures due to the increasing costs associated with maintaining existing software solutions, and software licencing & maintenance costs. This is driven by the shift from a perpetual to subscription-based licensing model, inflationary pricing increases, and exchange rate variability for Microsoft, eScribe, Filehold, HRIS solution, and our infrastructure and security-based solutions. The projected annual pressure is \$232,000.

J – Supplies and Maintenance

The Operations and Infrastructure Department has forecasted for a pressure on the mechanics garage vehicle parts budget due to increasing cost of parts. The anticipated pressure is \$228,000, which has been mitigated by contracted services (repair) budget, resulting in a net impact of \$112,000.

Building repair and Maintenance across various locations is forecasted to have a pressure of \$117,000.

Water and Wastewater Rate Supported

The Water and Wastewater Rate supported 2024 forecasted annual operating variance is estimated to be \$1,659,523 – to be funded by Water and Wastewater reserves. This represents 8.37% net variance from gross operating Water and Wastewater Rate budget.

	Projected December 31, 2024*	2024 Budget	Variance	Additional Notes
Revenue				
Water and Wastewater	(20,385,186)	(19,780,670)	604,516	K, O
	(169,289)		156,799	L
Donations, Grants & Misc Revenues		(12,490)		
	(43,000)		-	M
Provision from Reserve		(43,000)		
Revenue Total	(20,597,475)	(19,836,160)	761,315	
Expense				
Salaries and Benefits	2,749,116	2,565,280	(183,836)	N
Staffing Other Direct Expenses	62,753	52,880	(9,873)	-
Contracted Services	3,169,190	1,741,530	(1,427,660)	O
Hydro/Sewer/Gas	194,299	199,900	5,601	-
Other Direct Costs	317,745	359,920	42,175	-
Supplies and Maintenance	292,342	274,110	(18,232)	-
Contributions to Operating Reserves	1,182,840	1,182,840	-	-
Debenture Repayment	2,107,537	2,121,270	13,733	-
Water Payments to York Region	12,181,176	11,338,430	(842,746)	K, O
Expense Total	22,256,998	19,836,160	(2,420,838)	
Net Rate Supported Projected Deficit	1,659,523	-	(1,659,523)	

*Includes actuals as of June 30,2024

K – Water and Wastewater

Due to higher than anticipated consumption levels, the Water and Wastewater revenue is forecasted to exceed the budget resulting in a favourable variance. However, the additional revenue is offset by increased water payments to the Region to meet higher demands.

L – Miscellaneous Revenues

The Town is anticipating to recover additional revenues by billing for services such as watermain flushing, system repairs, and temporary water usage services. The net impact is a favourable \$156,000 variance.

M – Provision from Reserve

Water and Wastewater Rate Supported Programs are funded entirely by user fees that are used to pay for the services provided and the infrastructure to deliver them. Any surplus or deficit at year end is either contributed or drawn from Water and Wastewater Rate Stabilization reserves. There is a pressure projected for 2024 totalling \$1.6 million, which will be funded from the Water and Wastewater Rate Stabilization reserves.

N – Salaries and Benefits

There are several factors that are resulting in an unfavourable variance for salaries and benefits. The increase in benefit costs, standby and staffing expenditures due to backfilling are causing a pressure of \$180,000.

O – Contracted Services

Due to increase in emergency repairs required on the water distribution system and the wastewater collection system, the Town is forecasting for a contracted services pressure of \$1.2 million. As a result of an increase in watermain breaks, the Town is projecting to incur greater pressure from regional billing because of the water loss.

There is an additional unfavourable variance of \$195,000 for installation of new water meters subcontracting services, however, this will be offset by generating additional revenue.

5. RELATIONSHIP TO STRATEGIC PLAN:

Delivering service excellence:

Proactively manage our finances and assets.

6. FINANCIAL AND BUDGETARY IMPACT:

This report is provided for information purposes and there are no financial or budgetary impacts related to the recommendations contained in this report.

7. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:

Public consultation is not required. The annual budget process provides public consultations.

8. CONCLUSION:

As of June 30, 2024 the Town of Georgina is achieving its financial objectives as set out in the 2024 Budget. This report provides an analysis of the projected year-end and seeks Council's formal receipt of this information.

APPROVALS

Prepared By: Philip Decaire, CPA, CMA, Supervisor of Financial
Controllershship and Reporting

Prepared By: Harry Sidhu, CPA, CGA, Manager of Financial
Controllershship and Reporting / Deputy Treasurer

Recommended By: Rob Wheeler, CPA, CA, Deputy Chief Administrative Officer
/ Treasurer

Approved By: Ryan Cronsberry, Chief Administrative Officer