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Date April 13, 2022 **Report No.** 2022-196

To Chair and Members
Finance Committee

From Joelle Daniels
Director of Finance/City Treasurer

1.0 Type of Report

Consent Item ☒ [X]
Item For Consideration ☐ []

2.0 Topic **Preliminary 2021 Yearend Variance Report [Financial Impact - \$2.8 million]**

3.0 Recommendation

THAT report 2022-196 titled Preliminary 2021 Yearend Variance Report BE RECEIVED.

4.0 Executive Summary

This report provides an overview of the estimated 2021 tax supported yearend surplus. At this time it is estimated that the City will have a tax supported surplus in the amount of \$2,836,163. The report outlines services that have significantly impacted the 2021 yearend results. Final yearend results will not be available until the completion of the yearend external audit to be completed in April 2022.

5.0 Purpose and Overview

The purpose of this report is to update the Finance Committee of the projected 2021 yearend surplus.

6.0 Background

The COVID-19 global pandemic declared by the World Health Organization on March 11, 2020 has continued to impact City operations throughout 2021. The City continued to face facility closures, program cancellations and service reductions during the year.

In light of the pandemic, a mid-year variance report provided to the Finance Committee in September 2021 estimated a yearend tax supported surplus of approximate \$1.13 million. Due to a number of factors including additional grant funding, costs savings, and continued legislated restrictions, the City's yearend forecast is now \$2.8 million.

Casino revenues were severely impacted again in 2021 as Elements Casino Brantford faced ongoing closure and capacity restrictions. The September report suggested that any grant funding not required to offset operational impacts would be utilized to replace these lost revenues.

7.0 Corporate Policy Context

Desired Outcome #4 of Council's Priorities is "There is high trust in the City through demonstrated progress in taxpayer affordability and value for money"; a Tier 2 priority to achieve this outcome is to "Enhance communication to residents demonstrating evidence of high value for tax dollars".

8.0 Input From Other Sources

All departments responsible for Operating accounts were involved in the review of variances to ensure accuracy.

9.0 Analysis

The 2021 budget was prepared including COVID-19 impacts that were either known or anticipated at a point in time prior to provincially mandated closures and restrictions that occurred during 2021. While there were significant additional pressures seen in areas such as arenas, aquatics, transit, housing and homelessness, additional grant funding and expenditure savings throughout the organization has resulted in an estimated surplus of \$2.8 million. A summary of the significant variances contributing to the 2021 surplus are outlined in the table below:

Table 1 - Significant 2021 Variances

Department	Amount	Description
Employee Gapping	\$1,041,905	Savings from employee gapping are approximately \$3.18M, which is \$1M higher than the budget of \$2.18M. Significant gapping has been experienced throughout the organization but particularly Public Works and Community Programs and Social Development.
Fleet and Transit	\$1,007,786	Additional SRA Transit Grant-Phase 3 revenues \$1.1M not anticipated in addition to a slight increase in ridership revenue, offset by a reduction in university fares revenue, increased fuel, parts costs and enhanced cleaning costs.
Supplementary Taxes, Payments-in-Lieu, Tax Adjustments	\$904,722	Surplus attributable to Supplementary Tax surplus of \$1,245,244 plus \$120,774 surplus in penalty and interest charges offset by a deficit in property tax write-offs for assessment appeals of \$434,390.
Operational Services	\$845,107	The mild winters of 2021 resulted in \$810K savings in salt and contracted snow clearing.
Family & Income Stability	\$528,066	<p>\$387K surplus in OW Administration due to additional recoveries of \$30K, \$125K gross savings in employment related expenditures and participant (LEAP) due primarily to reduced demand for transportation costs due to COVID19, \$18K parking and \$58K administration savings attributed to efficiencies found in the work from home model such as office supplies.</p> <p>100% municipal surplus of \$140K is as a result of the funeral process review with a reduced cost per funeral amount. The CPP Death Benefit is now a comparable amount to the current assisted funeral maximum, resulting in some next of kin choosing to access CPP directly to pay for the funeral rather than assigning the Death Benefit to the City.</p> <p>The 2022 gross budget was reduced by anticipated savings in administration of \$41,759 including \$26K permanently reduced anticipated savings for office supplies, postage, furniture and COVID savings of \$15,759.</p>

Department	Amount	Description
Facilities & Asset Management	\$445,200	Due to pandemic closures and reduced hours, a savings of \$124K was experienced at City facilities. In addition, the move to the new City Hall accounts for \$498K of the total Facilities & Asset Management Surplus, as departments moved on a staggered but delayed basis. Full occupancy at the new location was not finalized until September but the 2021 budget was prepared for full occupancy in April.
Building	\$354,802	The Building Department surplus is primarily attributable to additional Safe Restart Grant funding in the amount of \$394K received from the Province to offset lost parking revenues. This is offset by fine revenue received in 2021 being under budget by \$79K.
Housing & Homelessness	\$300,277	Social Services Relief Fund Provincial COVID-19 funding was received and utilized to offset pressures within the Homelessness Department contributing \$280K to the surplus.
Community Development & Social Development	(\$850,277)	Due to COVID restrictions through 2021, both Aquatics and Community Recreation experienced significant deficits in their budgeted program revenues. The deficits were partially offset by reduced program expenditures.
COVID-19	(\$2,139,583)	The City's 2021 budgeted Safe Restart general municipal grants were \$2,154,388. This amount is not expected to be needed to meet operational COVID pressures in 2021. A portion of these grants, in addition to the COVID Recovery Relief funding announced in March 2021, will be deferred to offset budgeted COVID pressures in 2022. The remainder will be utilized to replace lost casino revenues in 2021.
Other	\$398,158	
TOTAL	\$2,836,163	

9.0 Financial Implications

The 2021 yearend results are still being audited. At this time it is estimated that the City will experience a surplus of approximately \$2.8 million, or 1.7% of the municipal tax levy. For 2021, the surplus does not include amounts for Police Services. While any surplus for Police has historically been returned to the City at yearend, the Police Services Board approved a motion to retain their 2021 surplus in reserves.

The 2021 actuals for the City included \$3,523,014 in deferred and additional provincial funding to offset municipal COVID-related impacts which has been utilized as follows:

- \$2,018,550 deferred for use in 2022 to offset COVID-19 pressures included in the 2022 Operating Budget.
- \$1,504,464 transferred to the Casino Legacy Reserve to partially offset the 2021 shortfall in budgeted casino revenues.

10.0 Climate and Environmental Implications

There is no climate or environmental implications associated with this report.

11.0 Conclusion

This report provides a preliminary estimate of yearend 2021 financial results. Staff is continuing to finalize yearend activities in preparation for the City's annual external audit. Audited financial statements and final yearend reports will be provided to the Finance Committee in spring 2022.



Joelle Daniels
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In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required ☐ yes ☒ no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk ☐ yes ☒ no

Is the necessary by-law or agreement being sent concurrently to Council? ☐ yes ☒ no