

	THE CORPORATION OF THE TOWN OF GRAVENHURST	
	To:	Committee of the Whole
	From:	Val Sequeira, Director of Corporate Services and Chief Financial Officer
	Date:	May 17, 2022
	Subject:	2021 Operations – Year End Report No. COR 2022-09

RECOMMENDATIONS

The Director of Corporate Services and Chief Financial Officer recommends:

THAT Report No. COR 2022-09 re: 2021 Operations – Year End be received for information;

AND THAT the 2021 Operating Surplus of \$1,274,043, subject to final auditing adjustments, be transferred to the Community Reinvestment Reserve effective December 31, 2021.

PURPOSE

The purpose of the 2021 Operations – Year End Report is to provide an overview of financial performance for the year and recommend the appropriate management of the 2021 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. As well 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 the case of 2021, the funding allocation is simply not used due to the COVID-19 Pandemic.

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

2021 has largely followed the pattern in 2020. The Town operating surplus for the 2021 Financial Year is \$1,274,043, which is 8.0% of net expenditures (see Table 1 on next page). This is comparable to the operating surplus in the previous year (2020 Operating Surplus was \$1,006,249) but significantly higher than average surpluses in prior years.

There were three significant drivers of the 2022 operating surplus:

- **The on-going COVID-19 pandemic** resulted in facility closures and service reductions primarily in Recreation and Culture. As a result, there were substantial 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 put tremendous pressure on the Development Services department with both Planning and the Buildings overwhelmed with applications and permit requests. This resulted in the highest levels of Planning and Buildings revenues seen in recent times.
- **Staff cost savings were substantial in 2022** across all departments for several reasons. Some positions were deliberately left unfilled on a temporary basis because of the limited capacity to deliver services within COVID-19 restrictions. Other 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 were a few reasons the Town was unable 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.

One exception regarding staffing was in Human Resources. In 2021 an additional part-time position was approved and filled in-year to support the Quick Response Team

(QRT) and Human Resources in proactively managing the organization as the pandemic continued to dictate operational guidelines and customer service protocols. The addition of this resource resulted in an over-expenditure in the Corporate Services department – one that is offset by savings in other departments.

Table 1
TOWN OF GRAVENHURST
2021 Year End Operations - Financial Summary
As of December 31, 2021

<u>Town Departments</u>	<u>2021 Net Spend</u>	<u>2021 Net Budget</u>	<u>% Utilized</u>
Council	266,363	285,500	93.3%
Office of the CAO	351,123	366,109	95.9%
Legislative Services	474,834	508,250	93.4%
Corporate Services	1,034,401	997,700	103.7%
Fire & Emergency Services	994,855	1,029,182	96.7%
Recreation & Culture	683,023	1,082,269	63.1%
Development Services	959,245	1,220,917	78.6%
Infrastructure Services	4,594,238	4,714,450	97.5%
Corporate Administration	5,340,697	5,600,489	95.4%
Town Departments	14,698,834	15,804,866	93.0%
Town Partners			
Community Policing	4,343	2,600	167.0%
Gravenhurst BIA	49,552	49,552	100.0%
Chamber of Commerce	53,875	58,170	92.6%
Community Contributions	77,000	77,000	100.0%
Muskoka Discovery Centre	165,895	175,000	94.8%
YMCA	263,647	420,000	62.8%
Public Library Board	667,224	667,225	100.0%
Town Partners	1,281,536	1,449,547	88.4%
NET TOWN BUDGET	15,980,370	17,254,413	92.6%

Note: The numbers in Table 1 are unaudited

As per the Policy approved by Council on November 19, 2019, the operating surplus of \$1,274,043 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, as Committee is aware, a part of a longer-term plan to retire external debt as expeditiously as possible and provide more flexibility to accomplish longer term financial goals.

CONSULTATION

The following individuals / community groups were consulted:

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

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 2021 operating surplus of \$1,274,043 is reflective of an unusual year and that the transfer of the surplus to the Community Reinvestment Reserve recommended in this Report should be 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

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. 2021 Operating Budget
4. Town Asset Management and Long-Term Sustainability Plan (AMLTSP)

ATTACHMENTS - nil

RESPECTFULLY SUBMITTED BY:

Author: Ross Jeffery, Treasurer

Approved by: Val Sequeira, Director of Corporate Services and Chief Financial Officer

Approved by: Scott Lucas, Chief Administrative Officer