

	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:	2022 First Quarter Financial Update Report No. COR 2022-11

RECOMMENDATIONS

The Director of Corporate Services and Chief Financial Officer recommends:

THAT Report No. COR 2022-11 re: 2022 First Quarter Financial Update be received for information.

PURPOSE

The purpose of the 2022 First Quarter Financial Update Report is to lay out a quarterly reporting schedule for the year and to provide Council with an update on 2022 First Quarter financial performance against budget. This Report also describes some pressures that are/will need to be managed in 2022, and which are likely to impact future year budgets.

BACKGROUND

Administration report quarterly to Committee on financial performance against budget. The schedule below identifies the reports that will be forthcoming over the next 12 months. It should be noted that the timing for the Third Quarter Report coincides with the 2022 Municipal Elections and will therefore not be brought forward to Council.

2022 Budget Variance Reporting Schedule	
First Quarter Report (Q1 2022)	May 2022
Mid-Year Report (Q2 2022)	August 2022
Third Quarter Report (Q3 2022)	Internal review only
Year-End Report	April/May 2023

ANALYSIS

The net budget for the Town to the end of Q1 2022 is 18% expended (Q1 2021 - 19% expended) and overall operating departments are in line with quarterly spending. It is anticipated the Town will continue to track within budget to year-end.

TOWN OF GRAVENHURST
2022 First Quarter Financial Summary
March 31, 2022

<u>Department</u>	<u>Jan - Mar</u> <u>Net Spend</u>	<u>2022 Net</u> <u>Budget</u>	<u>%</u> <u>Utilized</u>
Council	59,303	291,300	20%
Community Partnerships	194,829	1,323,326	15%
Community Contributions	29,000	79,400	37%
Office of the CAO (Chief Administrative Officer)	72,992	320,700	23%
Legislative Services	101,939	536,194	19%
Corporate Services	219,868	1,101,850	20%
Fire & Emergency Services	183,388	1,047,764	18%
Recreation & Culture	135,303	1,112,963	12%
Development Services	(325,119)	1,245,212	-26%
Infrastructure Services	982,634	4,773,049	21%
Corporate Administration	1,455,370	5,824,219	25%
NET OPERATING BUDGET	3,109,507	17,655,977	18%

Operations - Looking ahead

The Town is expected to end the year within budget. However, behind the short-term financial savings are several issues that will impact on Town operations in 2022 and beyond:

- **The Town continues to see savings in staff costs.** In part this is because of staff transition, and judicious consideration of vacancies prior to posting the job. However, the primary reason is that the Town is struggling to hire staff to fill existing vacancies in a competitive job market, despite repeated postings. Further “savings” have resulted from underfilling certain positions with the intention of training staff to a necessary standard.

As part of an effort to address this challenge, and position the Town as an employer of choice, a compensation market survey is underway and preliminary data suggests there

are some areas where Gravenhurst is not competitive. Administration is also looking at more contemporary ways to provide a productive, supportive work environment for staff including remote work and flexible work hours policies.

- **Development activity continues at record levels generating higher development-related revenues.** At this point in time, as an example, Building Permit revenue is close to 75% of the projection for the entire year. Additional revenues will positively affect the bottom line for 2022. However, the sheer volume and complexity of development activity is putting substantial pressure on staff supporting the development process. Technology has helped streamline and improve responsiveness. However, an assessment of staffing roles and levels is presently underway in the Development Services Department. It is anticipated either additional resources or some internal reallocation of resources may be required to meet provincial completion timelines and reasonable customer service standards in both Planning and Buildings for the foreseeable future.
- **COVID-19 guidelines and protocols may continue to restrict Town operations.** The Library, YMCA, Centennial Centre, and Opera House are all open with unrestricted access. Town Hall has recently re-opened full counter service for the first time in two years. For all practical purposes the Town is open for business following a challenging couple of years. The first quarter of 2022 generated some operational savings as the Town transitioned to this state. While operations are presently normal, any changes to Health Unit guidelines because of spikes in COVID-19 cases will cause the Town to revert to a more restrictive regimen limiting services and facility access.
- **Inflationary pressures are having an impact in all departments.** Across the board the Town is seeing increases in costs for supplies, services, and equipment as [CPI](#) and all measures of inflation continue to rise month after month. Some of the more significant examples:
 - Rural street-sweeping costs are up 47% from pre-COVID rates
 - Fuel costs are up between 66 and 114%, since February 2020
 - Snow removal and landscape maintenance costs are up approximately 20%

Administration is monitoring these pressure points carefully. Corporately, because of one-time savings in-year, the Town can accommodate these cost increases within the 2022 Operating Budget approved by Council. However, it is anticipated that if these inflationary trends continue, appropriate adjustments will be required to the 2023 Budget.

Capital Projects - Looking Ahead

Capital projects have traditionally been manageable within the funding envelope approved by Council. Looking ahead this is expected to change. Also, it is anticipated that priority needs identified in the Asset Infrastructure Report and upcoming studies like the Parks and Trails Master Plan and the Transit Study may require increased spending on Capital.

- **Tender prices are projected to increase substantially.** Several tenders for significant capital projects will be released in the coming weeks. In the past, the Director of Infrastructure, who manages the majority of the significant capital projects, has successfully used several mechanisms including group tendering of roadworks and early issuance of RFTs (Requests for Tenders) to leverage attractive pricing as well as lock in contracts for timely completion of projects. As a result, the Town has traditionally been able to manage capital projects within the funding envelope approved by Council. Any savings generated continue to be available for future capital projects and have limited the need for tax increases in the recent past to fund the capital program.

Looking ahead to 2022 and beyond it is anticipated this landscape will change. Substantial price increases for raw materials and services; limited availability of contracted resources/materials; and pent-up demand for capital works across the province are projected to drive costs up. For the 2022 Budget year Administration is carefully monitoring tender awards and it is anticipated the savings from the current capital program will alleviate financial pressures from higher prices in 2022.

- **Implications of the Infrastructure Asset Report Card.** Last month, the Director of Infrastructure Services provided an [Infrastructure Asset Report Card](#) that reflected a need to increase investment in the Town's core infrastructure namely roads and stormwater management to address identified deficiencies. This Report will be given thoughtful consideration when developing the 2023 Capital Budget and Multi-Year Plan. It reinforces the fact that a gap still exists between what the Town is doing and what is required to be done to narrow the infrastructure deficit.

Implications of future studies. At Council direction, and in response to community needs, a Parks and Trails Master Plan has been commissioned and will identify and prioritize investments in the community to expand services and improve quality of life. Significant new and expanded services cannot be financed within the existing capital program envelope which is focused on replacement/rehabilitation/repair of existing Town infrastructure.

The Infrastructure Asset Report Card alone will require a substantial increase to current investment in roads and stormwater management. Looking ahead it is anticipated that the 2023 Capital Budget and Multi-Year Plan projections will need to be re-visited and recalibrated to reflect higher costs, priority needs identified in the Infrastructure Asset Report Card that cannot be deferred and new initiatives/projects coming out of other studies.

CONSULTATION

The following individuals / community groups were consulted:

- Senior Leadership Team
- CEO, Gravenhurst Public Library Board
- Treasurer
- Manager of Accounting and IT

CORPORATE FINANCIAL IMPACT - nil

COMMUNICATIONS - nil

FUTURE CONSULTATIONS - nil

CONCLUSIONS

Notwithstanding the cautionary notes contained in this Report, Administration concludes that the *2022 First Quarter Financial Update* is in line with expectations at the end of Q1 2022 and projections for year-end.

CLIMATE CHANGE IMPLICATIONS

This Report does not contribute to meeting the intentions of the Climate Change Declaration, though it is acknowledged that there are several operating and capital budget initiatives that serve to lessen the Town's environmental footprint.

RELATION TO STRATEGIC PLAN

This Report does not directly advance or support the Town of Gravenhurst Strategic Plan.

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. 2022 Budget

ATTACHMENTS - nil

RESPECTFULLY SUBMITTED BY:

Author: Val Sequeira, Director of Corporate Services and Chief Financial Officer
Approved by: Scott Lucas, Chief Administrative Officer