



Subject: 2021 Year End Surplus and Project Close Out

To: Council

From: Corporate Services Department

Report Number: 2022-73

Meeting Date: April 26, 2022

Recommendation:

That Corporate Service Department 2022-73 be received; and

That the capital and related project and reserve balances of Appendices E, F and G of Corporate Service Department Report 2022-73 be approved; and

That the following capital and related projects be approved as highlighted in the presentation attached as Appendix A to Corporate Service Department Report 2022-73;

- \$1,000,000 for the Vale Health and Wellness Roof Repair
- \$200,000 for enhancements to the roads base and resurfacing program
- \$150,000 for the tangible capital asset reserve
- \$130,000 for Cemetery land acquisition
- \$68,607 for energy audits and monitoring
- \$66,200 for Electrical Vehicle (EV) charging stations; and

That Council support the Lions Field Enhancement application to the Public Realm Investment program and if successful, up to \$200,000 be approved and funded from the roads base and resurfacing program.

Purpose:

This report highlights the funding budget to actual results, provides recommendations pertaining to surplus, capital and related project closeouts and reserve activity.

Background:

In 2021, Financial Services introduced a Trimester 1 and Trimester 2 forecast. This report provides the year-end unaudited actuals for the year ended December 31, 2021. At the time of writing this report, the City's auditors are conducting the annual audit. It is anticipated that the Audited Financial Statements will be available by the second Council meeting in May.

Financial Services identifies this report contains certain forward-looking information. In preparing this report, certain assumptions and estimates were necessary. These estimates are based on information available to management at the time of preparing this report. Council and other users are cautioned that actual results may vary.

Financial Services reminds Council and users of this report that it is based on fund accounting that follows the cashflow of the budget. For greater clarity, this report is not prepared in accordance with full Canadian public sector accounting standards like the audited financial statements that follow accrual accounting. For example, this report reflects capital purchases as cash outlays instead of capitalizing them on the balance sheet and amortizing them over their useful life. As a reminder, fund accounting is utilized by all municipalities as a mechanism to develop budgets and track cashflow. While accrual accounting can provide for a longer-term picture of an organization by capitalizing assets and recording long-term liabilities like employee future benefits, fund accounting helps the municipality ensure funding is available in the immediate term to cover current obligations.

As communicated during the trimester reports, the 2021 budget has been re-forecasted to account for the reorganization of the Community Services division.

New this year, a presentation of the City's financial results has been prepared and will be presented at Council. The presentation is attached as Appendix A.

While high-level comments to the year end financial results have been provided in the report, Financial Services encourages Council members to reach out to staff for further discussion.

Discussion:

For the fiscal year ended December 31, 2021, the City experienced a Levy surplus of \$914,847 as identified below:

Levy	Actual	Budget	Net
Revenue	32,435,003	28,890,515	3,544,488
Personnel Expense	(15,264,829)	(15,098,800)	(166,029)
Operating Expense	(11,948,400)	(12,656,291)	707,891
Surplus before Transfers	5,221,774	1,135,424	4,086,350

Transfer (to)/from Capital	(7,014,090)	(3,661,738)	(3,352,352)
Transfer (to)/from Reserves	259,833	395,370	(135,537)
Transfer (to)/from Funds	2,447,330	2,130,944	316,386
Surplus / (Deficit)	914,847	-	914,847
Recommended Transfers	914,847	-	914,847
Surplus / (Deficit)	-	-	-

The summarized chart above identifies revenue coming in significantly greater than budgeted.

The primary revenue driver was the successful application and award of numerous grants, many of them capital in nature, that arose after the 2021 budget approval. The next largest impact was the sale of surplus lands. In this respect, the increase in revenue was the primary driver of the corresponding increase in funds transferred to capital funds and reserves. Staff highlight these revenue and transfers to capital and reserve funds should not be considered structural in the budget process. **Slide 7 of Appendix A** highlights in greater detail salient budget to actual differences related to revenue.

While personnel expenses ended the year 1% over budget, operating expenses were more than 5% under budget. Savings were primarily driven by reduced utilities with the temporary closure of certain facilities due to COVID-19 restrictions, canceled events, curtailed staff training and development, and less of a need for grants and sponsorships which has been corrected in the 2022 levy budget. Savings in these areas were offset by legal fees primarily related to building and development. **Slide 8 of Appendix A** highlights in greater detail salient budget to actual differences related to operating expenses.

While the dollar figure change in reserve transfers may be less than other budgetary items there are a number of moving parts, including the transfer of \$1,518,000 in funds for the Erie Street water project to the capital fund. **Slide 9 of Appendix A** highlights in greater detail salient budget to actual differences related to reserves.

The Transfer from Funds amount relates to transfers from the rate budgets of water, wastewater and storm sewer. This relates to changes in overhead charges between the Levy and Rate budgets noted in the trimester 2 report and budgeted on a go forward basis in the 2022 budget.

Summary comments related to self-sustaining entities can be found on **Slide 10 of Appendix A**.

For greater detail at an account level Staff encourage Council and readers to review **Appendix B and C**.

For the fiscal year ended December 31, 2021, the City experienced combined Rate surpluses of \$800,051. This surplus can be seen as the change in reserve transfers as identified below:

Rate	Actual	Budget	Net
Revenue	12,231,080	12,355,826	(124,746)
Personnel Expense	(1,018,256)	(1,122,700)	104,444
Operating Expense	(7,051,181)	(8,187,920)	1,136,739
Surplus Before Transfers	4,161,643	3,045,206	1,116,437
Transfer (to)/from Reserves	(1,714,313)	(914,262)	(800,051)
Transfer (to)/from Funds	(2,447,330)	(2,130,944)	(316,386)
Surplus/(Deficit)	-	-	-

The summary chart above identifies revenue less than budgeted. This was driven by the storm sewer refunds. Operating expenses were less than budget primarily because of improved water loss and inflow and infiltration which at the time of writing this report is most likely the result of lower lake levels. These occurrences resulted in Niagara Region wastewater charges being \$539,254 and water charges being \$198,709 less than budget. **Slide 11 and 12 of the Appendix A** highlights in greater detail salient budget to actual differences related to the rate budgets.

For greater detail at an account level Staff encourage Council and readers to review **Appendix D**.

Included in the Levy figures above are the following salient COVID-19 financial pressures with a two-year view:

	2020	2021	Total
Positive Financial Impact			
Vale Health and Wellness Centre reduced Utility Costs	198,000	378,600	576,600
COVID-19 Funding	622,700	666,600	1,289,300
Programs, Grants and Activities	476,100	203,000	679,100
	1,296,800	1,248,200	2,545,000
Negative Financial Impact			
Personnel Expenses*	694,200	397,200	1,091,400
Information Technology	103,300	24,700	128,000
Material, Contract Costs	151,400	107,300	258,700
Vale Health and Wellness Centre Lost Revenue, net YMCA costs	290,000	298,600	588,600
	1,238,900	827,800	2,066,700
Net Levy Impact before SSE impact	57,900	420,400	478,300
SSE: Sugarloaf Marina Impact (funded through Marina reserve)	(232,800)		(232,800)
Net Impact	(174,900)	420,400	245,500
SSE: Sugarloaf Marina Impact 2020 Reimbursement	-	(125,000)	-
Remaining Grants Available	-	295,400	-

The “Net Impact” line represents costs to date, whereby, savings and funding received to date has resulted in funding exceeding costs by \$245,500. However, as a result of grant timing, only \$125,000 of the previous \$232,800 impact from the Marina has been applied to the funding received. This will continue to be reviewed as the Province finalizes COVID-19 reporting details. As a result, at the time of writing this report, the City maintains \$295,400 in unspent/unallocated grants to offset the on-going costs of COVID-19 in 2022.

This report contains a summary of Capital and Related Projects recommended for closeout and still on-going in **Appendices E and F. Slide 13 of Appendix A** highlights that as of 2021, 68 approved capital and related projects remain open. Staff closed out 43 projects and in doing so were underbudget on those projects by \$232,196. The dollar figure associated with the 68 remaining projects is \$6,506,882. The three largest projects are Erie Street water, the infrastructure needs study (“INS”) and Downtown CIP. An update on 2022 activity will be provided with the first trimester reporting that will be prepared for the period ending April 30, 2021 and reported at the June 14th Council meeting (the third Council meeting following the April 26th Council meeting). Staff identify Council approved 93 capital and related projects in the 2022 budget with a total

value of \$21,730,959. These figures do not include the additional projects recommended in this report.

In **Appendix G**, Financial Services has summarized reserve activity and identified the approved reserve targets and/or progress or steps required to establishing a final target. The completion of the INS will help establish targets for many of the reserves still requiring targets.

Council and users of this report will also find **Appendix H – Investments** and **Appendix I – Debt Management** that highlight the City's investment returns and debt management along with related compliance with approved policies.

Financial Services identifies there is no new debt approved or forecasted at this time. As forecasted in **Appendix I** the City's borrowing capacity as defined by the annual repayment limit (ARL) is forecasted to expand over time and is forecasted at 6.2% in 2022 on an in-year basis, it remains well below the City's self-imposed limit of 15% and the Province of Ontario maximum of 25%.

Public Realm Investment Program Opportunity (Lions Field Enhancement Project)

An opportunity to apply for funding under the public realm Investment program was recently announced. Established in 2016, the Public Realm Investment Program enables Niagara Region to partner and support local municipalities on capital projects that provide important public enhancements across 250 kilometres of Regional roads.

The enhancement of streetscapes attracts investment and creates vibrant public spaces that sustain businesses, improve transportation and celebrate community. People enjoy well-designed places that are inclusive and accessible. Attractive and vibrant places offer a higher quality of life to residents and visitors.

The program offers funding for over 40 different enhancements in categories such as:

- Hardscaping
- Complete streets infrastructure
- Road crossing measures
- Street furniture
- Landscaping
- Community identity and wayfinding
- Environmental sustainability

Staff are seeking Council approval to apply for funding to enhance Lions Field under this grant opportunity. Enhancements will include new landscaping, replacement decorative fencing, exterior building enhancements and entrance upgrades, including an arch gateway. Staff have been working with the Niagara Region on this application

and understand approximately \$97,000 is available in grant funding with the City's contribution being an estimated \$200,000 for a total project cost of \$297,000. If successful, the City's portion will be funded from the roads base and resurfacing program and project completion will occur in 2023. Council approval of the grant application and funding is required as part of the application process.

Internal Consultations:

Financial Services would like to thank all departments for their assistance and cooperation.

Financial Implications:

This report recommends allocating the year end levy surplus and unallocated Ontario Community Infrastructure funding ("OCIF") as follows:

	Total	Funding		Purpose
		YE Surplus	Grants*	
Vale Health and Wellness Roof Repair	1,000,000	500,000	500,000	Repair the roof.
Increase to the Roads Base and Resurfacing Budget	200,000	-	200,000	Enhance road repairs and/or grant opportunity.
Tangible Capital Asset Reserve	150,000	150,000	-	Anticipated investments needs coming from the Asset Management Plan and Inflation.
Cemetery land acquisition	130,000	130,000	-	Substitute funding for previously approved internal financing.
Energy audits and monitoring	68,607	68,607	-	Reduce consumption, improved environmental, and reduce cost.
Charging stations	66,200	66,200	-	Expand previously planned electric vehicle charger options.
Total	1,614,807	914,807	700,000	

* Ontario Community Infrastructure Fund

Council and users of this report may note these unallocated funds are the result of funding allocations the City received between the writing of this report and approving the 2022 Capital and Related Project Budget.

For greater clarity on a couple of the recommendations above:

- Public Works department will have a sum total of \$1,401,840 for the roads budget with the recommendation above. This figure is comprised of \$1,072,000 from the 2022 Capital and Related Project Budget + \$129,840 unspent from 2021 Capital and Related Project Budget + \$200,000 as recommended in this report.
- The budget for charging stations for electric vehicles will increase to a forecasted \$200,000. \$100,000 funded through anticipated grant applications, \$33,800 from the 2022 Capital and Related Project Budget, plus the \$66,200 recommended in this report. The initial locations planned for charging stations are the Vale Health and Wellness Centre and the Farmers Market in front of City Hall. The initial goal is for two at each location.

The capital and related project and reserve balances are presented in **Appendices E, F, and G** following City policies and practices, including that of the Reserve Policy. One area requiring additional disclosure is that of the encumbrance reserve which is a reserve utilized when there is no other reserve but funds have been budgeted in one year and/or are needed or required to be carried forward to the following year. The encumbrance reserve is made up of the following:

	2020	2021	Total
Cannabis Grant	34,548		34,548
Cannabis Strategy	30,000		30,000
Smoke Alarm Program	5,437		5,437
Physician Recruitment	69,300	41,600	110,900
General Insurance	58,000	(58,000)	-
HH Knoll Washroom		21,878	21,878
Purchasing staff payroll		92,600	92,600
	199,305	100,099	295,363

The majority of the balance relates to Physician Recruitment and the temporary purchasing staff support. The funding for Physician Recruitment came from unspent funds in 2020 and 2021. Financial Services understands about 1/3 of the balance has

already been committed. In 2022 the City adjusted the budget to only include incentive funding for one doctor per year. The remaining 2/3 balance is available to fund a second doctor's incentive funding should a second become available. The funding for the temporary purchasing staff support was approved by Council previously and has allowed the City to retain purchasing staff support until the end of 2022. Staff will identify this person has been invaluable to the purchasing program at the City and moving certain projects forward.

Public Engagement:

The City's Budget and Financial Reporting can be found at:

<https://www.portcolborne.ca/en/city-hall/budget-and-financial-reporting.aspx>

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

That the recommendations contained in this report be approved.

Appendices:

- a. Appendix A – 2021 Year End Financial Presentation
- b. Appendix B – 2021 Year End Levy Summary
- c. Appendix C – 2021 Year End Levy Department and Division Summaries
- d. Appendix D – 2021 Year End Rate Summary and Department Detail
- e. Appendix E – Capital and Related Projects Summary
- f. Appendix F – Capital and Related Project Holding Accounts

- g. Appendix G – Reserves
- h. Appendix H – Investments
- i. Appendix I – Debt Management

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.