

**Subject: 2023 Year-End Operating Budget Variance Report - City Wide**

**Reference:**

Date to Council: April 22, 2024

Author: David Soave

Manager, Operating Budget Development & Control

519-255-6100 Ext. 1911

dsoave@citywindsor.ca

Report Date: 2024-04-05

Clerk's File #: AF/14372

**To:** Mayor and Members of City Council

**Recommendation:**

1. THAT Council **RECEIVE FOR INFORMATION** the 2023 Year-End Operating Budget Variance Report; and,
2. THAT the final 2023 Property Tax Levy Operating Budget deficit of (\$2,490,154) **BE FUNDED** as follows: (\$900,491) related to the un-recovered convoy costs, from Fund 169 (PAYG Capital Reserve) and the balance of (\$1,589,663) from the Budget Stabilization Contingency; and,
3. That the balance of the Budget Stabilization Contingency totalling \$1,110,337 **BE TRANSFERRED** to Fund 139, the Budget Stabilization Reserve Fund; and,
4. THAT in order to avoid the need to re-budget for various items, Council **APPROVE** \$4,622,012 in Budget Carry-Forwards as detailed in Appendix C; and,
5. THAT Council **APPROVE** the balancing of and transfers from Capital Project Closeouts as detailed in Appendix D; and,
6. THAT Council **APPROVE** the attached Development Charges 2023 Income Statement Schedule as detailed in Appendix E; and,
7. THAT Council **APPROVE** the attached Development Charge Reserve Fund Statement – Listing of Credits as detailed in Appendix F; and,
8. THAT City Council **AUTHORIZE** the establishment of a new Reserve Fund, titled “WREN SSM IES Reserve” for any Performance Based Funding and unrestricted funding earned by the Integrated Employment Services (IES) - Service System Manager (SSM) and provided by the Ministry of Labour, Immigration, Training and Skills Development (MLITSD) for purposes of developing future employment

programming, and/or unforeseen expenses and/or to assist with providing funds for Service Provider employment supports; and,

9. THAT City Council **AUTHORIZE** the City Treasurer as part of the year-end process, to transfer surplus Performance Based Funding and unrestricted funding earned, to the WREN SSM IES Reserve, to be retained and further that the City Treasurer **BE AUTHORIZED** to apply funding held in the reserve as may be required to fund future Integrated Employment Services – Service System Manager needs; and,
10. THAT City Council **APPROVE** the following housekeeping items and various transfers to/(from) the various reserve accounts/funds as part of the 2023 Year-End close:
  - a. (\$3,975) to Account 1755 (Reserve for Fire Education)
  - b. (\$35,428) to Fund 114-128 (Development Charge Reserves)
  - c. (\$62,406) to Account 1768 (Ontario Fire Service Grant Reserve)
  - d. (\$72,259) to Account 1784 (Succession Planning Reserve)
  - e. (\$260,485) to Account 1756 (Reserve for Tree Planting)
  - f. (\$287,815) to Account 1762 (Municipal Elections Reserve)
  - g. (\$329,957) to Fund 160 (Capital Expenditure Reserve)
  - h. \$663,506 from Fund 170 (Pay As You Go (PAYG) Leasing Reserve) for WPS
  - i. \$1,055,843 from Fund 177 (PC Maintenance/Support Reserve)
  - j. \$1,216,349 from Fund 170 (Pay As You Go (PAYG) Leasing Reserve)
11. THAT City Council **APPROVE** the following housekeeping items and various transfers to/(from) the various reserve accounts/funds as part of the 2022 Year-End close:
  - a. \$957,634 from Fund 170 (Pay As You Go (PAYG) Leasing Reserve)
  - b. \$1,118,814 from Fund 177 (PC Maintenance/Support Reserve)
12. THAT City Council **APPROVE** the closure of the Ontario Fire Service Grant Reserve Account, Account 1768.

### **Executive Summary:**

The Corporation has ended the 2023 fiscal year with an overall operating deficit of (\$2,490,154) or 0.25% of the City's gross operating budget. Administration has recommended that the deficit be funded from a) Fund 169 (PAYG Capital Reserve) sub-totalling (\$900,491), which is related to the un-recovered convoy costs, and b) the Budget Stabilization Contingency sub-totalling (\$1,589,663). Administration further recommends that the balance of the \$2.7 million corporate contingency totalling \$1,110,337 be transferred to Fund 139, the Budget Stabilization Reserve Fund. It is

noted that these financial results are still subject to finalization of the annual external audit, which is currently underway by the City's external auditors KPMG. Should there be any material changes to the final year-end position, this information would be reported to City Council with the final audited consolidated financial statements expected in July.

## **Background:**

Annual operating budgets for all City departments are set at or around the beginning of the calendar year. Professional estimates, the current legislative environment, macroeconomic trends (such as currency fluctuations, commodity prices, unemployment figures, inflationary trends, and business investment, etc.) and other local information available at the time are significant inputs to the operating budget.

All departments are responsible to monitor revenues and expenditures on an ongoing basis and undertake projections through to the end of the year to ensure they remain at, or as close to, their approved budget as possible. This assists in mitigating all material variances as effectively as possible. As is typical with most forecasts, accuracy tends to increase as the year progresses and more information and data becomes available.

In addition to the City's operating budget, which is primarily funded by the property tax levy, certain expenditures are funded by specific non-property tax levy sources such as Legislated Building Permits, On/Off Street Parking Operations and the Sewer Surcharge Operating Fund. The discussion section of this report provides additional detail for the year-end variances for all departments.

## **Discussion:**

### ***Property Tax Supported Variance***

The Corporation ended the 2023 fiscal year with an operating deficit of (\$2,490,154). This figure is net of budget carryovers totalling \$4,622,012 and includes the use of \$1,589,663 of the \$2.7M corporate contingency amount. Administration recommends transferring the \$1,110,337 balance remaining in the contingency account to the Budget Stabilization Reserve Fund (BSR). The remaining balance of \$900,491, which relates to the unfunded convoy costs, has been funded by way of a transfer from Fund 169 - PAYG Capital Reserve. Utilizing capital funding to address this yearend variance highlights the significant impacts that the Federal funding shortfall represent to the City as it is now faced with covering expenditures that were beyond municipal control and which ultimately have created a financial burden to Windsor residents and taxpayers. As a result of this capital transfer, there will be less available funding within this PYG Capital Reserve to address one-time new and future capital budget requests. In simple terms, this means that approximately \$1 million of capital projects/priorities cannot be undertaken in future due to reduced capital funding that would otherwise be available to carry out such work. These types of requests typically come forward throughout the year and will need to be funded from alternative sources, many of which are limited or restricted. As always Administration continues to monitor reserve balances to ensure funds which are available are used in the more efficient manner to maximize purchasing power and allow for works to proceed as needed.

**Table A** below provides a summary of the budgets and year-end variances for City Departments, Agencies, Boards & Committees for 2023. The year-end variances have been sorted from largest deficit to largest surplus.

**Table A: 2022 Corporate Variance Summary**

Operating Budget Variance Summary by Department							
Department	2023 Gross Budget	2023 Net Budget	Q1 Projected Variance	Q2 Projected Variance	Q3 Projected Variance	Year-End Final Variance	% of Gross Budget
Transit Windsor	\$42,357,601	\$17,581,466	n/a	(\$1,026,000)	(\$2,629,000)	(\$2,605,339)	(6.2%)
Fire & Rescue	\$52,507,897	\$50,506,467	n/a	(\$1,255,000)	(\$1,354,000)	(\$1,536,849)	(2.9%)
Housing & Children Services *	\$166,764,770	\$29,268,555	n/a	\$301,000	(\$661,000)	(\$1,420,791)	(0.9%)
Parks & Facilities	\$39,883,357	\$30,070,610	n/a	(\$204,000)	(\$379,000)	(\$1,186,970)	(3.0%)
POA, Purchasing & Risk	\$10,639,956	\$3,367,337	n/a	(\$1,135,000)	(\$453,000)	(\$414,419)	(3.9%)
City Solicitor	\$3,790,714	\$3,470,976	n/a	(\$22,000)	(\$180,000)	(\$391,672)	(10.3%)
Corporate Security	\$3,883,870	\$1,213,106	n/a	\$0	\$0	(\$261,565)	(6.7%)
Taxation & Financial Projects	\$3,704,444	\$697,709	n/a	\$0	(\$241,000)	(\$241,779)	(6.5%)
Building Services	\$8,633,939	\$1,313,075	n/a	(\$342,000)	(\$225,000)	(\$162,074)	(1.9%)
Employment & Social Services	\$123,194,263	\$8,006,689	n/a	\$351,000	\$403,000	(\$109,330)	(0.1%)
Financial Planning	\$4,270,004	\$3,011,664	n/a	\$7,000	(\$131,000)	(\$71,298)	(1.7%)
Human Resources	\$7,543,216	\$6,700,452	n/a	\$0	\$0	(\$56,105)	(0.7%)
Mayor's Office	\$504,338	\$504,338	n/a	\$0	\$0	\$0	0.0%
Library Services	\$9,210,381	\$8,249,186	n/a	\$0	\$0	\$0	0.0%
Pollution Control	\$24,120,651	\$0	n/a	\$0	\$0	\$0	0.0%
Financial Accounting	\$3,218,530	\$2,585,974	n/a	\$0	\$16,000	\$0	0.0%
City Council	\$1,125,767	\$968,776	n/a	\$0	\$0	\$17,355	1.5%
CAO's Office	\$1,070,193	\$1,070,193	n/a	\$0	\$0	\$30,288	2.8%
Communications	\$4,264,283	\$3,545,355	n/a	\$39,000	\$50,000	\$58,880	1.4%
Asset Planning	\$1,547,581	\$744,370	n/a	\$2,000	\$2,000	\$72,293	4.7%
Planning & Development	\$5,178,686	\$3,328,256	n/a	\$59,000	\$200,000	\$92,214	1.8%
Information Technology	\$9,879,728	\$8,170,353	n/a	\$135,000	\$162,000	\$181,264	1.8%
Council Services	\$6,646,823	\$3,681,446	n/a	(\$412,000)	(\$154,000)	\$187,943	2.8%
Public Works	\$64,764,224	\$32,290,011	n/a	\$950,000	\$900,000	\$203,873	0.3%
Economic Development	\$2,116,390	\$1,852,867	n/a	\$0	\$0	\$491,637	23.2%
Engineering	\$9,443,767	\$2,845,960	n/a	(\$66,000)	\$152,000	\$495,697	5.2%
Corporate Accounts	\$188,467,125	\$90,453,576	n/a	\$168,000	\$1,542,000	\$946,628	0.5%
Huron Lodge	\$31,984,347	\$9,573,835	n/a	\$945,000	\$1,100,000	\$1,178,839	3.7%
Recreation & Culture	\$26,551,319	\$13,788,238	n/a	(\$1,400,000)	(\$500,000)	\$1,794,704	6.8%
<b>Sub-Total: City Departments</b>	<b>\$857,268,164</b>	<b>\$338,860,840</b>	<b>n/a</b>	<b>(\$2,905,000)</b>	<b>(\$2,380,000)</b>	<b>(\$2,706,576)</b>	<b>(0.3%)</b>
Agencies	\$22,634,432	\$22,533,834	n/a	\$346,000	\$346,000	\$289,178	1.3%
Police Services	\$117,868,133	\$99,005,478	n/a	\$0	\$0	(\$72,756)	(0.1%)
<b>Sub-Total: ABC's</b>	<b>\$140,502,565</b>	<b>\$121,539,312</b>	<b>n/a</b>	<b>\$346,000</b>	<b>\$346,000</b>	<b>\$216,422</b>	<b>0.2%</b>
<b>Total: Municipal</b>	<b>\$997,770,729</b>	<b>\$460,400,152</b>	<b>n/a</b>	<b>(\$2,559,000)</b>	<b>(\$2,034,000)</b>	<b>(\$2,490,154)</b>	<b>(0.2%)</b>

\* Includes Windsor Essex County Housing Corporation (WECHC).

This table has been provided along with supporting explanations for all departmental variances listed (Appendix A).

**Table B** provides a five-year historical picture of the City’s year-end operating variances for the Corporation, as well as the percentage variance to the annual gross budget inclusive of the budget stabilization contingency account.

**Table B: 5-Year Historical Year-End Operating Variance**

<i>Year</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>Variance Surplus / Deficit</i>	\$1,954,982	\$5,805,949	\$2,491,344	\$632,250	(\$2,490,154)
<i>As a % of Gross Budget</i>	0.21%	0.61%	0.29%	0.07%	(0.25%)

***Operational & Economic Statistics***

**Appendix B** includes a list of relevant operational and economic statistics (extracted from various sources) that have been presented in previous variance reports to Council. The data is provided as background information and is depicted graphically for 2023 year-end, along with each of the preceding nine years for ease of reference and comparison purposes. Administration will continue to monitor and report on these statistics as part of the regular variance reporting to Council.

***Budget Carry-Forwards***

**Appendix C** includes a list of the recommended budget carry-forwards that relate to 2023. These are budgeted items that, due to timing, were committed but not expended in 2023 and as a result, the related budgets for those items have been carried forward into 2024. These expenditure line items are expected to be utilized in support of services in 2024 or beyond.

***Capital Closeouts***

**Appendix D** contains a summary of capital projects that were either closed, completed or consolidated during 2023. The Corporation does not budget for any variance with respect to capital closeouts. Surplus balances normally offset deficits in other projects provided that consistent funding guidelines are being followed. Usual practice calls for surpluses to be returned back to the original funding source(s) and deficits drawn from their original funding source, where such funds are available. If funding is not available, alternate funding sources are identified and reported to City Council.

***Development Charge Reserve Income Statements***

The final two appendices (**Appendix E & Appendix F**) provide City Council with detailed revenues and expenses for all of the development charge reserves in 2023, as required by the Development Charges Act, along with a listing of outstanding development charge credits at year-end.

## ***New Reserves***

### **Windsor Regional Employment Network (WREN)**

In 2023, the Employment and Social Services Division, together with its consortium partner, Workforce Windsor-Essex, was awarded the contract to become the Integrated Employment Services (IES) - Service System Manager (SSM) in the Windsor-Sarnia Catchment. This transformative program combines various employment support services to make the system easier to navigate for job seekers and employers. The Service System Manager may earn performance-based funding and other unrestricted funding that may be put in the WREN SSM IES reserve for purposes of developing future employment programming and/or unforeseen expenses and/or to assist with providing funds for Service Provider employment supports.

As part of this report and to proactively establish a process for holding funding which is projected to be received for this purpose in 2024 and beyond, Council is being asked to authorized the City Treasurer, as part of future year end closing process, to transfer any surplus Performance Based Funding and unrestricted funding earned, to the WREN SSM IES Reserve and further, that the City Treasurer be authorized to apply monies held in this reserve as may be required to fund future Integrated Employment Services – Service System Manager needs. Activity within the reserve will be reported to Council as part of future annual year-end variance report.

### ***Miscellaneous Housekeeping Transfer To / From Reserves***

Throughout the course of the year, costs related to certain initiatives are captured in operating accounts/funds and then transferred at year-end to/from various specific reserves consistent with past practice. The following miscellaneous housekeeping transfers have occurred and a summary is provided below in **Table C**. it should be noted that as part of the 2022 year end variance report, certain transfers relating to the recovery of PC Maintenance and IT support which were completed in 2022 were omitted from the formal approvals being sought from City Council as such to ensure proper documented approval of these transfers the recommendations have been included in this report.

**Table C: 2023 Summary of Transfers (To)/From Reserve Accounts/Funds**

RESERVE FUND / ACCOUNT	AMOUNT
<b>Items Related to 2023:</b>	
Account 1755 - Reserve for Fire Education	(\$3,975)
Fund 114-128 - Development Charge Reserves	(\$35,428)
Account 1768 - Ontario Fire Serve Grant Reserve	(\$62,406)
Account 1784 - Succession Planning Reserve	(\$72,259)
Account 1756 - Reserve for Tree Planting	(\$260,485)
Account 1762 - Municipal Elections Reserve	(\$287,815)
Fund 160 - Capital Expenditure Reserve	(\$329,957)
Fund 170 - Pay As You Go (PAYG) Leasing Reserve (WPS)	\$663,506
Fund 177 - PC Maintenance/Support Reserve	\$1,005,843
Fund 170 - Pay As You Go (PAYG) Leasing Reserve	\$1,216,349
<b>Items Related to 2022:</b>	
Fund 177 - PC Maintenance/Support Reserve	\$957,634
Fund 170 - Pay As You Go (PAYG) Leasing Reserve	\$1,118,814

**PAYG Leasing Reserve:** Resolutions B42-2002 and B43-2002, passed in May 2002, provided the fundamental guidelines as it relates to the PAYG reserve program, including extending the life expectancy of computer equipment and other assets, which were previously leased. Council resolutions CR160/2006 and CR175/2006 added networking equipment and servers to the PAYG plan in order to ensure sufficient replacement funds as the leases for these assets expired. An established personal computer user fee is budgeted and charged annually to the operating departments and is transferred to this reserve on an annual basis. The transfer from this reserve, as illustrated in Table C above, is completed at year-end in order to offset the actual expenditures incurred by the Information Technology Department for the replacement of these assets. In addition, City Council approved CR139/2015 as it relates to the annual PAYG leasing reserve fund transfer for Windsor Police Services (WPS), which states that WPS will follow the same process as the City of Windsor’s IT Department with respect to managing, tracking and reporting PAYG expenditures to City Council for the annual reserve fund transfer.

**PC Maintenance/Support Reserve:** In an effort to facilitate the funding of expenditures related to the delivery of desktop computing across the Corporation, CR783/2005 was brought before Council and approved which established the PC Maintenance/Support Reserve. An estimated maintenance user fee related to all corporate personal computers, including related hardware and software, is budgeted and charged annually to the operating departments and transferred to this reserve. The transfer from this reserve, as illustrated in Table C above, is completed at year-end in order to offset the



actual expenditures related to the annual maintenance and support costs incurred by the Information Technology department.

Administration maintains its commitment to reporting to City Council the annual year-end transfers from both the PAYG Leasing and PC Maintenance/Support Reserves as illustrated above.

### **Reserve Closures**

**Ontario Fire Service Grant Reserve:** Windsor Fire & Rescue Services received \$300,000 in one-time grant funding as part of the Ontario Fire Service Training Grant. The funds have since been held in reserve account 1768. In 2007, CR378/2007 directed that the Fire Chief report annually on the use of these funds. In 2023, the reserve incurred a net draw of (\$62,406), largely due to the purchase of a Fire Ground Survival trailer. This equipment is specifically designed to train firefighters to handle unexpected scenarios that may arise during operations. The firefighter survivor program will help firefighters develop situational awareness skills, which can prevent potential emergencies and prepare them to take life-saving actions in case they become lost, disoriented, injured, low on air, or trapped. The reserve account used to make this purchase is now depleted, and it is recommended to close the reserve.

### **Risk Analysis:**

There are a number of potential risks that can impact the year-end financial results which may cause differences from what had previously been reported to City Council as follows:

1. The Net Tax Additions/Reductions account is extremely difficult to project with certainty. While many of the larger tax appeals have been settled there is still an ability for taxpayers to appeal their property assessment value on an annual basis. Any variances in this account will vary dramatically based on the outcomes and timing of the settlements.
2. Current macro and micro economic conditions such as changes to local unemployment rates, volatility of energy costs, commodity prices and interest rates, as well as supply and demand for products and services. Inflationary increases (the Consumer Price Index) in 2023 averaged 3.9%. This has become a significant risk in the last couple of years and is being monitored closely.
3. Seasonal variability with respect to revenues (e.g. Recreation Fees) and expenses (e.g. winter control).
4. Potential increases in staffing costs due to factors such as sick call replacement, modified duties (particularly in mandated or 24/7 operational areas), WSIB, joint job evaluation or other arbitration decisions, and health benefit usage (Green Shield). Some of these costs may be covered by corporate provisions/reserves.

5. Potential increase to unavoidable expenditures such as unavoidable repairs and maintenance, along with related purchases of materials and supplies, legal expenses, streetlight maintenance, etc.
6. The significant use of estimates, historical knowledge and judgement in developing budgets and projecting actual expenses for the year implies that actual year-end revenues and expenditures may differ significantly from quarterly projections. One way to mitigate this risk and help to offset any unexpected or one-time variances is by way of the annual corporate contingency account.

## **Climate Change Risks**

### **Climate Change Mitigation:**

Climate Change Mitigation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

### **Climate Change Adaptation:**

Climate Change Adaptation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

### **Financial Matters:**

Detailed descriptions to support the departmental year-end variances have been provided in Appendix A.

### **Consultations:**

All City Departments provided comments to augment and clarify the analysis performed by the Financial Planning Department.

Michael Dennis, Manager, Strategic Capital Budget Development &Control

Emilie Dunnigan, Manager, Development Revenue & Financial Administration

Linda Higgins, Manager of Inter-Governmental Subsidies & Financial Administration

Mark Spizzirri, Manager, Performance Measurement & Business Case Development

### **Conclusion:**

The 2023 year end close process is complete and the variance report is being presented to City Council for final direction.

### **Planning Act Matters:**

N/A

### **Approvals:**

Name	Title
David Soave	Manager, Operating Budget Development & Control
Janice Guthrie	Commissioner, Finance & City Treasurer
Joe Mancina	Chief Administrative Officer

**Notifications:**

Name	Address	Email

**Appendices:**

- 1 Appendix A - 2023 Operating Budget Variance
- 2 Appendix B - 2023 Operational & Economic Statistics
- 3 Appendix C - 2023 Budget Carry-Forwards
- 4 Appendix D - 2023 Capital Project Close-Outs for Year-End
- 5 Appendix E - 2023 Development Charges Reserve Funds Income Statement
- 6 Appendix F - 2023 Statement of Activity - Development Charge Credits