

Meeting Date: May 17, 2022

Subject: 2021 Year End Operating Budget Variance

Submitted By: Michelle Xu, Financial Analyst, Finance

RECOMMENDATION

That the 2021 operating surplus of \$7,849,432 be transferred to the following reserves:

- a) \$22,304 to the Firefighter Post-Retirement Benefits Reserve;
- b) \$243,310 of the COVID-19 Safe Restart funding to the Operating Contingency Reserve for 2022 pandemic budget pressures;
- c) \$7,436,820 to the Tax Funded Capital Contingency Reserve to replenish this reserve,
- d) \$70,650 to the Operating Contingency Reserve to fund economic development initiatives in 2022 outlined in Staff Report 2022-0088 by drawing upon this reserve;
- e) \$66,310 to the Operating Contingency Reserve to fund a contract recruiter position for 2022 by drawing upon this reserve; and
- f) \$10,000 to the Operating Contingency Reserve to fund 2022 heritage bicentennial celebrations by drawing upon this reserve.

REPORT HIGHLIGHTS

- On February 16th, 2021, Council approved the Town of Caledon's 2021 budget including a gross operating budget of \$114,370,872
- By March 31, 2022 each department had performed a review of their 2021 year-end actuals to budget operating variances and provided Finance with explanations for each general ledger account having an operating variance (+/-) \$20,000 or 20%.
- Overall, the Town of Caledon's 2021 net operating budget surplus is \$7,849,432. This surplus is comprised of:
 - \$5,184,632 favourable variance in overall revenues; and
 - \$2,664,800 favourable variance in overall expenditures and transfers to reserves.
- The recommended year end surplus management outlined in this report will allow the Town to allocate some one-time revenues or savings such as successful proactive assessment appeal savings and additional years of commercial supplementary taxes to the depleted Tax Funded Capital Contingency Reserve.

DISCUSSION

The purpose of this report is to provide an overview of the 2021 year-end actual results as compared to the operating budget. Staff within each department is responsible for the delivery of programs and services while managing their budgets within the Council-approved 2021 operating budget. While accountability for financial performance (e.g. actual revenues and expenditures) belongs with the Corporate Leadership Team, both Finance and department staff share the responsibility of monitoring operating budget variances throughout the year.

Based on year end results, the Town has a 2021 operating surplus of \$7,849,432. As noted in the Staff Report T2 2021 Operating Variance and Year-end Projection 2021-0351 dated on October 19, 2021, overall year-end was forecasted at a surplus in the range of \$3.45 million (including any forecasted transfers to and from reserves). There is a significant favourable variance of \$4,411,137 when comparing actual surplus of \$7,849,432 to the projected year end surplus of \$3,454,196 per staff report 2021-0351. The main reason for this change is due to the following:

- The \$3.1 million in Safe Restart funding received in 2021 was included in the year end forecast however was assumed that it would be fully contributed to reserves to be utilized in the future. Upon further review of the Ministry's reporting requirements, it is recommended a large portion of these funds be used in 2021 with a smaller portion to be contributed to reserve for use in 2022 as part of the year end surplus management as outlined in the report.
- \$0.9 million larger than expected one time surplus due to the Town winning many proactive assessment appeals at ARB mainly related to development lands.
- \$0.5 million higher in supplementary assessments as determined by the Municipal Property Assessment Corporation (MPAC) related to three years of a large commercial developments supplementary assessments being received near the end of the year.
- \$0.2 million favourable variance from forecasted for Penalties and Interest due to a larger increase in tax receivables in Q4 then expected.
- \$0.9 million additional unfavourable variance mainly related to human resources contingencies.

Overall Variance Summary

The overall major variances to budget the Town experienced in 2021 were as follows:

- \$6.4 million favourable variance in salary gapping due to facility related closures due to the pandemic and vacancies that were not filled across the Town;
- \$5.7 million unfavourable variance in user fees and rental revenue across the Town mainly due to facility related closures due to the pandemic and engineering Building fees that came in under budget due to timing of MW2 developments;
- The \$3.1 million favourable variance in Safe Restart funding received in 2021;
- \$1.7 million favourable variance as taxation revenue higher than planned primarily due to commercial supplementary one-time tax revenues relating to a large commercial development and their assessment revenue from 2019 to 2021 and Payments in Lieu of Taxation (PILT) revenue being slightly higher than budget.
- \$0.7 million net favourable variance in investment income mainly due to \$478,966 of unbudgeted income from a higher yielding long term investment that was called by the bank. Lower interest rates on investments were also mitigated by less interest being allocated to reserves as a result of lower interest rates.
- \$1.1 million favourable variance in tax adjustments due to the Town winning many assessment appeals at ARB mainly related to development lands.
- \$0.5 million favourable variance for Penalties and Interest due to an unplanned increase in taxes receivables.

Table 1: Summary of 2021 Year-End Operating Budget Variance by Department

Department		2021 YTD Budget	2021 YTD Actuals	Variance Favourable / (Unfavourable)	Variance %
Building & Municipal Law Enforcement Services	Revenue	(5,323,785)	(4,581,218)	(742,567)	-13.9%
	Expense	6,529,838	5,762,717	767,121	11.7%
	Net Budget	1,206,053	1,181,499	24,554	2.0%
Caledon Public Library	Revenue	(133,110)	(79,429)	(53,681)	-40.3%
	Expense	4,521,138	4,160,796	360,342	8.0%
	Net Budget	4,388,028	4,081,367	306,661	7.0%
Community Services	Revenue	(7,584,539)	(2,547,977)	(5,036,562)	-66.4%
	Expense	15,885,277	11,603,282	4,281,995	27.0%
	Net Budget	8,300,738	9,055,306	(754,568)	-9.1%
Corporate Accounts	Revenue	(85,525,996)	(97,946,067)	12,420,071	14.5%
	Expense	27,980,660	34,137,684	(6,157,024)	-22.0%
	Net Budget	(57,545,336)	(63,808,383)	6,263,047	-10.9%
Corporate Services	Revenue	(5,575,208)	(4,857,123)	(718,085)	-12.9%
	Expense	8,703,806	8,536,465	167,341	1.9%
	Net Budget	3,128,598	3,679,342	(550,744)	-17.6%
Corporate Strategy & Innovation	Revenue	(291,757)	(338,234)	46,477	15.9%
	Expense	3,176,663	2,999,675	176,988	5.6%
	Net Budget	2,884,906	2,661,441	223,465	7.7%
Customer Service & Communications and Economic Development	Revenue	(297,745)	(269,102)	(28,643)	-9.6%
	Expense	3,764,932	2,765,803	999,129	26.5%
	Net Budget	3,467,187	2,496,700	970,487	28.0%
Engineering Services	Revenue	(3,911,738)	(2,155,458)	(1,756,280)	-44.9%
	Expense	8,692,740	6,169,815	2,522,925	29.0%
	Net Budget	4,781,002	4,014,357	766,645	16.0%
Finance	Revenue	(86,342)	(163,827)	77,485	89.7%
	Expense	3,172,618	2,932,929	239,689	7.6%
	Net Budget	3,086,276	2,769,102	317,174	10.3%
Fire & Emergency Services	Revenue	(1,073,143)	(1,038,920)	(34,223)	-3.2%
	Expense	10,838,345	11,182,060	(343,715)	-3.2%
	Net Budget	9,765,202	10,143,139	(377,937)	-3.9%
Operations	Revenue	(1,629,543)	(1,915,776)	286,233	17.6%
	Expense	15,636,796	15,354,891	281,905	1.8%
	Net Budget	14,007,253	13,439,115	568,138	4.1%
People Services	Revenue	-	-	-	0.0%
	Expense	1,451,145	1,421,497	29,648	2.0%
	Net Budget	1,451,145	1,421,497	29,648	2.0%
Planning	Revenue	(3,371,902)	(4,096,309)	724,407	21.5%
	Expense	4,450,850	5,112,395	(661,545)	-14.9%
	Net Budget	1,078,948	1,016,086	62,862	5.8%
TOTAL	Revenue	(114,804,808)	(119,989,440)	5,184,632	4.5%
	Expense	114,804,808	112,140,008	2,664,800	2.3%
	Net Budget	-	(7,849,432)	7,849,432	

Please note: Table 1 is also attached as Schedule B to this report. The 2021 budget operating variance is further broken down by division within each department and is available on Schedule A of this report.

Department Overview

The following comments by department are high level, relevant explanations of the 2021 budget operating variance. Variance review and explanations are performed and provided through the combined efforts of Finance and the department staff.

Building & Municipal Law Enforcement Services

Year-end favourable variance of \$24,554

- \$456,504 favourable variance in salaries, wages and benefits across the department due to salary gapping, vacant positions and delay in hiring for vacancies.

- \$51,336 favourable variance in Training/Development/Seminars across the department due to cancellations for many conferences and events due to the pandemic.
- \$23,931 favourable variance in Municipal Law Enforcement for Parking Fines/Payments revenue due to increased parking violations.
- \$29,920 unfavourable variance in Municipal Law Enforcement for fill permits as applications have been lower than anticipated.
- \$91,677 unfavourable variance in Municipal Law Enforcement for Property Standards Admin fees due to a reduction in remedial actions related to the pandemic restrictions and staff safety protocols as well as a refund issued. This also led to a \$375,755 offsetting variance in both revenue and expenses for recoverable property standards expenses.
- \$193,184 unfavourable variance in Contributions to Reserves due to transferring the year-end surplus in Building Services to the Building Permit Stabilization Fund. More information is provided in the Financial Implications section of the report.
- \$197,016 unfavourable variance in Building for building permits due to unforeseen delays in subdivision registrations that won't be realized until 2022.

Building Permit Stabilization Reserve

There was a net contribution of \$840,955 to the Building Permit Stabilization Reserve Fund at the end of 2021 mainly due to increased building permit activity due to MW2 permits.

The Building Permit Stabilization reserve was established from the 2005 implementation of the *Building Code Statute Law Amendment Act* (Bill 124). The purpose of the reserve is to allow a municipality to stabilize slow years in terms of building activity and permit revenue. The Building Services division operates as full cost recovery and any surplus or deficit in the division is accounted for by a transfer to/from the Building Permit Stabilization Reserve Fund. Accordingly, the Building division operations do not have an impact on property taxes.

The balance in the Building Permit Stabilization Reserve Fund after the transfer of \$840,955 to the Building Permit Stabilization Reserve in 2021.

Caledon Public Library

Year-end favourable variance of \$306,661

- \$301,900 favourable variance in salaries, wages and benefits due to salary gapping, limited hours of part time and casual staff due to pandemic and full-time staff on maternity leave and long-term disability partially offset by part time staff backfilling the position and additional staff hours to support active screening.
- \$37,975 unfavourable variance in revenue due to elimination of overdue fines. This was approved by Council in 2020 as part of community recovery plan during pandemic.
- \$55,482 unfavourable variance for the purchase of technologies in support of remote work and hybrid meetings. These costs are supported by safe restart funding.

- \$39,253 favourable variance in cleaning services driven by reduced scope of cleaning works due to ongoing construction in Albion Bolton branch. A change in service provider effective October 2021 with lower monthly charges resulted in lower costs as well.
- \$48,357 total favourable variance due to reduced costs in Mileage, travel and accommodation as trainings were offered online and reduced need of inter-branch travel during pandemic. The shift from in-person to virtual format reduced travel and space rental costs for programming activities. Delays in recruitment resulted in a deferral of training costs and related mileage costs. Delayed procurement of software licenses and new online catalogue solutions have also driven the costs lower than the budget.

Community Services

Year-end unfavourable variance of \$749,568

- \$4,429,224 net unfavourable variance for recreation revenues due to facilities closures, program stoppages, capacity limits and previously approved fee reduction for the Town's affiliates. Significant shortfall in revenues were identified in arena ice rental fees, fitness memberships, swimming lessons registrations and program registrations.
- \$2,709,683 favourable variance in Salaries and Benefits across the department due to salary gapping, staffing vacancies and postponement in filling vacant positions. A significant portion of the favourable variance was the result of the temporary staff furloughs due to facility closures and program staffing were not hired due programs being cancelled.
- \$711,075 net favourable variance in utilities primarily in electricity due to savings from facility closures and/or limited operations.
- \$41,162 favourable variance in office furniture and fixtures as the result of new headcounts not requiring new office space and being able to work remotely.
- \$59,314 favourable variance in contracted services across corporate facilities and recreation facilities due to facilities were closed and staff conducting the work themselves rather than hire a contractor to do the work after hours (eg. lighting retrofits, arena board replacements, etc.).
- \$107,769 net favourable variance in maintenance and repairs on buildings and grounds due to some facility closure and timing resulting from reduced staffing available to perform the necessary work.
- \$139,835 net favourable variance in operating and programs supplies resulting from facilities closure and programs cancellation. Closed facilities requiring less upkeep work to be performed and cancelled programs not requiring supplies.

It is recommended that the remaining safe restart funding as outlined in Table 5 below of \$873,925 be allocated to the net operating loss for recreation related to the effects of the pandemic from facility closures and program stoppages.

Corporate Accounts

Year-end favourable variance of \$6,273,948

- \$3,067,744 favourable variance for unplanned 2021 COVID-19 Safe Restart Funding received from the Federal and Provincial Government to assist municipalities to continue to operate safely and assist with COVID-19 2021 budget pressures. More information about how these funds are recommended to be utilized are outlined below.
- \$1,688,554 favourable variance as taxation revenue higher than planned primarily due to commercial supplementary onetime tax revenues relating to a large commercial development and their assessment revenue from 2019 to 2021 and Payments in Lieu of Taxation (PILT) revenue being slightly higher than budget.
- \$703,632 net favourable variance in investment income mainly due to \$478,966 of unbudgeted income from a higher yielding long term investment that was called by the bank. Lower interest rates on investments were also mitigated by less interest being allocated to reserves as a result of lower interest rates.
- \$480,809 favourable variance for Penalties and Interest due to an unplanned increase in taxes receivables.
- \$178,054 favourable variance in Municipal Tax expenses due to a successful appeal with a refund on Town owned facilities.
- \$533,261 net favourable variance in centralized charges as IT related costs for brand new staff positions and IT maintenance contracts are \$366,529 under budget to date as positions not filled and several contracts have come in at a lower cost than anticipated. Copier and fax costs are \$35,563 under budget as many staff are working from home and telephone costs are lower as well by \$37,356. Pandemic related hotspot, WebEx, masks and PPE costs to date are \$152,595 lower than planned which is offset by less funding needed to be drawn from reserve relating to 2021 safe restart funds.
- \$1,059,742 favourable variance in tax adjustments due to the Town winning many assessment appeals at ARB mainly related to development lands.
- \$1,552,468 unfavourable variance comprised of budgeted Town-wide salary gapping, benefits and human resources contingencies. The salary gapping budget, or budgeted savings due to vacancies/delays in hiring new staff during the year, has historically been recovered from the various departments based on actual vacant positions. This variance includes an unbudgeted contribution to the Operating Contingency Reserve to fund additional budget for the 2021 capital project 21-029 Time Entry Management/Human Resource Information System Replacement. This funding source/contribution to reserves was a return of reserve funds of \$926,931 earmarked for group benefit costs from the Town's previous benefits provider which was larger than originally estimated.

Corporate Services

Year-end unfavourable variance of \$550,744

- \$527,829 favourable variance in salaries, wages and benefits across the department due to salary gapping, vacant positions and delay in hiring for vacancies; partially offset by backfilling vacant positions with contract staffing.
- \$82,451 favourable variance in Legal and POA for contracted services mainly due to savings in Adjudication and Part III prosecution costs due to the court closures.
- \$51,696 favourable variance in Training/Development/Seminars across the department due to cancellations for many conferences and events due to COVID-19.
- \$52,209 favourable variance in Legal Services due to unexpected court costs awarded.
- \$39,378 favourable variance in POA Caledon for Interpreter fees and ICON charges due to less service requests for interpreters as a result of the court closures throughout the pandemic.
- \$81,767 unfavourable variance in Legal Services & Trucking Task Force account mainly due to injunction and contempt proceedings continued from 2019 for which costs were awarded to the Town but have been appealed.
- \$1,278,514 unfavourable variance in POA fine revenues due to unsettled matters and a decrease in fine collection as a result of the court closures throughout the pandemic.

It is estimated that \$989,497 net operating loss for POA can be directly attributed to the effects of the pandemic from court closures. It is recommended that this shortfall be funded from the Safe Restart funding.

Corporate Strategy & Innovation

Year-end favourable variance of \$223,465

- 159,084 favourable variance in salaries, wages and benefits across the department due to salary gapping, vacant positions and delay in hiring for vacancies; partially offset by backfilling vacant positions with contract staffing
- \$36,044 favourable variance in Training and Development across the department partially due to cancellations for many conferences and events due to COVID-19 and partially due to training credits received from Microsoft to cover the costs of some courses.

Customer Services & Communication & Economic Development

Year-end favourable variance of \$970,487

- \$860,820 favourable variance in salaries, wages and benefits across the department due to vacant positions and delay in hiring for vacancies; as well as recreation closures.
- \$70,650 favourable variance in Economic Development for Contracted Services, Marketing & Events and CBIZ Expenses as a result of staffing level changes, and the continuing COVID-19 pandemic. Staff vacancies and a decrease in public-

- facing programs, services and activations due to the pandemic left several lines under-spent.
- \$22,839 favourable variance in Economic Development for grant revenue due to the Rural Economic Development (RED) Program grant received to offset website & video development costs to modernize digital platforms.

Engineering Services

Year-end favourable variance of \$766,645

- \$546,853 net favourable variance related to staffing is driven by staff vacancies and gapping due to staff turnover and timing of hiring new positions approved in year for Transportation and Engineering. The favourable variance of \$728,229 in salaries and benefits was offset by contributions from reserve of \$181,376 not being required to fund a one-year contract Senior Project Manager position and \$76,376 for Transportation in-year approved positions.
- \$137,000 favourable variance as Automated Speed Enforcement initiative on Town roads (currently on Regional roads) was not implemented in 2021 because the City of Toronto Joint Processing Centre, who administers this program, put this on hold for new municipalities, due to COVID and Administrative Monetary Penalty System (AMPs) discussions at the Province to address courts capacity constraints.
- \$88,560 favourable variance for unplanned revenue received related to administration fees for Simpson Road and Mayfield West Landowners Group.
- \$68,270 net favourable variance in Transit due to lower costs for the Southfields route operated by Brampton Transit as service reduced during the pandemic.
- \$131,270 net unfavourable variance related to Engineering Fees: \$1,656,612 unfavourable variance in Engineering Fee revenue resulting from planned revenue for Mayfield West II Spine Road being received late in 2020 and an offsetting \$1,525,342 favourable contribution to reserve variance as there is less surplus to contribute to the Development Engineering Stabilization reserve.

Engineering Stabilization Reserve

- Due to engineering fees exceeding direct costs mainly due to salary gapping the Town has transferred \$622,406 to the Engineering Stabilization Reserve. Engineering Services work related to development applications may span many years from the time revenues are collected. This reserve serves the purpose of having the revenues available to fund the Engineering related work beyond the current year. Thus, allowing future budgets to draw from these reserves to fund the direct and indirect costs related to the Engineering process.

Finance

Year-end favourable variance of \$317,174

- \$292,500 net favourable variance in salaries and benefits costs staff vacancies.
- \$24,674 favourable variance mainly driven by less Training and Development related to the impact of COVID-19.

Fire & Emergency Services

Year-end unfavourable variance of \$377,937

- \$98,102 favourable variances in accident revenues due to more than expected emergency responses to motor vehicle collisions / incidents, partially offset by write-offs of unpaid receivables
- \$40,371 unfavorable variance in inter-departmental fleet maintenance due to higher-than-expected upkeep and repairs necessary to the aging fire rescue fleet.
- \$56,657 unfavorable variance in Fire Call revenues from the Town of Mono due to lower than incident responses needed.
- \$369,552 net unfavourable variance in Salaries, Wages, Overtime and Benefits for firefighters and volunteer firefighters due to a higher-than-expected number of emergency incidents, including several structure fires and grass fires that required long duration; partially offset by salary gapping in vacant positions.

Operations

Year-end favourable variance of \$568,138

- \$453,481 net favourable variance for salaries and benefits (excluding winter control staff savings) due to staff turnover/gapping of \$232,169 primarily in Road Operations and pandemic related savings of \$108,820 for crossing guards and \$112,492 in Parks Operations.
- \$353,625 favourable variance in Winter Control costs, including salary and benefit savings of \$43,920, offset by contributing \$345,700 of the savings to the Winter Maintenance Reserve. Main drivers were less than planned salt and calcium (\$88,150) due to timing of snow events and a change in how calcium utilized as well as winter parking lot maintenance savings (\$176,615) as work completed by internal resources.
- \$291,504 net favourable variance in Drainage activities driven by ditch cleaning (\$185,681) and less culvert maintenance and catch basin cleaning activities (\$46,495). Savings mainly due to focusing work efforts on gravel roads under Capital projects and planning for environmentally appropriate material disposals.
- \$171,431 net favourable variance in Road Loose Top activities primarily gravel and base repairs as due to some staff vacancies the main priority was the Gravel Resurfacing Program capital work.
- \$61,689 favourable variance in revenue for snow clearing costs for various subdivisions.
- \$54,718 net favourable variance in Road Hardtop as the backlog of sidewalk maintenance was completed with adequate staffing now in place creating an unfavourable variance of \$28,745 offset by \$88,320 savings in Contracted Services.
- \$28,233 net unfavourable variance in Roadside activities due to shouldering and transit maintenance savings of \$55,000 as most planned work not undertaken and

- \$96,986 unfavourable variance for guide rail repairs as a result of winter-related damage.
- \$195,111 net unfavourable variance (excluding salaries and benefits savings noted earlier) in Parks Operations with main drivers being lower rental revenues (\$154,254), lighting repairs (\$26,910) and water and wastewater costs (\$40,673) mainly for splash pads, primarily offset by electricity savings (\$28,022) all due to the pandemic restrictions.
- \$269,958 net unfavourable variance for Fire and Roads Heavy Duty Vehicle maintenance cost overage of \$310,329 partially offset by \$40,370 favourable recovery from the Fire & Emergency Services Department. Major repairs such as a grader repair of approximately \$50,000 contributed to the cost overrun.

People Services

Year-end favourable variance of \$29,648

- \$22,222 favourable variance in salaries, wages and benefits across the department due to salary gapping, vacant positions and delay in hiring for vacancies; partially offset by backfilling vacant positions with contract staffing.
- \$29,359 unfavourable variance in legal services due to increased legal costs related to COVID-19.

Planning

Year-end favourable variance of \$62,862

- \$1,149,910 unfavourable variance in Planning for Contribution to Reserves as the favourable revenue variance in Planning was transferred to the Development Approval Stabilization Reserve which was greater than budget. Favourable variance forecasted in Planning can be mainly attributed to the following:
 - \$814,901 net favourable variance in Planning revenues due to higher Site Plan Application Fees, Application fees for subdivision, Condos, POPA fees and Rezoning Application Fees for the Mayfield West Phase 2 development and the Tullamore Business Park development
 - \$960,153 favourable variance in Salaries and Benefits across the department primarily due to salary gapping, staffing vacancies and delay in filling vacant positions, partially offset by backfilling vacant positions with contract staff.
 - \$603,742 unfavourable variance in contracted services and external consultants to backfill vacant positions and to assist with processing planning files due to limited staffing capacity.
- \$10,000 net favourable variance in Heritage Special Events resulting from planned bi-centennial events postponed due to the pandemic. Staff is recommending this favourable variance be carried forward to 2022 when postponed events are expected to be held.

Development Approvals Stabilization Reserve

- Due to higher than budgeted planning applications in 2021, and salary gapping the Town has transferred \$1,138,142 to the Development Approvals Stabilization Reserve Fund. Planning Services work related to development applications may span up to 4 years from the time revenues are collected. These reserves serve the purpose of having the revenues available to fund the Development approval and related work beyond the current year. Thus, allowing future budgets to draw from these reserves to fund the direct and indirect costs related to Development approvals.

Emergency Cost Incurred due to COVID-19

The year-end variances include specific pandemic-related costs incurred totaling \$1,012,480 for the Town as shown in Table 3. \$436,509 of these costs were funded from the 2020 Safe restart funding transferred from Operating Contingency Reserve in 2021. Costs include cleaning supplies, contracted services for enhanced cleaning services, personal protective equipment (PPE) including masks and gloves, plexiglass barriers, air quality monitoring for courts for in person proceedings and technology investments to support staff seamlessly working from home.

The overall impact of the pandemic and cost mitigation measures are discussed in the Financial Implications section.

Table 2: Pandemic Emergency Costs Summary

Department	2021 Actual Expenses (\$)	Types of Expenses
Fire & Emergency Services	\$108,369	COVID-19 safety supplies and protective equipment such as disposable and cloth masks, cleaning supplies for the fire stations and vehicle cleaning.
Operations	\$120,409	PPE, cleaning supplies, signage, plexiglass barriers, vehicle rental
Corporate Strategy & Innovation	\$196,733	Workforce Planning
Corporate Services	\$2,221	Cleaning supplies; Air quality monitoring for courts for in person proceedings
Customer Service & Communications	\$49,181	Wages and benefits for greeters who coordinate appointments and complete active screening as well as COVID-19 training and internet grants
Planning	\$280	COVID-19 supplies
Community Services	\$308,222	COVID-19 safety supplies and protective equipment such as

Department	2021 Actual Expenses (\$)	Types of Expenses
		disposable and cloth masks, cleaning supplies, and signage to direct flow and social distancing messaging. Outdoor gear for ice track staff during Winter.
Building & Municipal Law Enforcement Services	\$1,781	Cleaning supplies
Caledon Public Library	\$62,653	Ongoing procurement of sanitizing supplies/PPE; disinfecting costs of full Bolton Branch; operating costs of community connectivity kits; purchase of docking stations for staff working from home; purchase of web cameras and other technology support for virtual programming and hybrid meeting spaces.
Corporate Accounts	\$162,631	Cloth and disposable masks for majority of Departments, cleaning supplies and enhanced cleaning services, BCP update and IT related such as Hotspots, WebEx, Bell conferencing
Total	\$1,012,480	

Table 3: Pandemic Lost Revenue Summary

Corporate Services	\$989,497	Net loss in POA Revenue due to reduction in revenue as a result of unsettled matters and a decrease in fine collection due to the court closures throughout the pandemic
Corporate Accounts	\$385,040	Waived penalties/interest on taxes. For 2021, the total revenue loss from penalties and interest was \$385,040. \$353,240 of penalties and interest from the COVID-19 Property Tax Deferral Program (282 approved applications to date) and \$31,800 of penalties and interest from the COVID-19 PAP Program (106 approved applications to date).
Community Services	\$873,925	Estimated net lost recreation revenue mainly due to facility closures and program stoppage.
Total	\$2,248,462	

Safe Restart Funding

The Town received 2020 and 2021 funding from the federal and provincial government to assist with 2021 and 2022 COVID-19 Operating costs and pressures. The Town received \$3,067,743 of 2021 funding which was included in the Town year end surplus. To date the Town has received total of \$4,525,843 as shown in Table 3 below to assist with COVID-19 related cost and budget pressures.

Table 4: COVID-19 Municipal Operating Funding

Safe Restart funding Phase 1 Allocation (2020)	\$1,458,100
Safe Restart funding Phase 2 Allocation (2021)	\$1,098,000
2021 Provincial COVID-19 Recovery Funding for Municipalities	\$1,969,743
Total Funding	\$4,525,843

Staff recommend applying this funding as follows:

Table 5: Application of COVID-19 Municipal Operating Funding

2021 Pandemic Costs	\$1,012,480
Corporate Services – lost POA fine revenue	\$989,497
Cost of COVID-19 Property Tax Deferral Program	\$385,040
Community Services net loss in Recreation revenue due to facility closures (remaining allocated funding after 2022 budget commitments)	\$873,925
Total Funding allocated to 2021	\$3,260,942
2022 budgeted pandemic expenditures	\$1,264,901
Total	\$4,525,843

The unused funds of \$1,264,901 outlined in Table 5 above are recommended to be contributed to the Operating Contingency Reserve to assist with 2022 COVID related operating budget pressures. There is already \$1,021,591 of 2020 Safe Restart funds in the Reserve therefore only \$243,310 of Safe restart funding needs to be contributed. By allocating the majority of the funds to the COVID related budget impacts outlined in Table 5 we can utilize the one-time revenues in Corporate Accounts to assist with replenishing the Town's Tax funded Capital Contingency Reserve which was depleted in 2021 in order to fund shortfalls in Constructions budgets due to the pandemic, fund emergency works on a timely basis and important urgent infrastructure projects to make our community complete.

FINANCIAL IMPLICATIONS

Transfer to/from Reserves

Winter Maintenance Reserve

For 2021, the Town transferred \$345,700 to the Winter Maintenance Reserve as a result of program savings. The Winter Maintenance Reserve at the end of 2021 had a current, uncommitted balance of \$1,736,313.77.

Community Improvement Plan (CIP) Reserve

The CIP Grant Payments total \$74,122 as of Dec 31, 2021, which was funded from the Community Improvement Plan Reserve. Transfers from the CIP Reserve was authorized as part of the 2021 budget. The current, uncommitted balance of the Community Improvement Plan Reserve is \$60,810.

Year-end Surplus Management

Economic Development

Caledon's small businesses, residents and stakeholders have been significantly impacted by the COVID-19 pandemic, and for this reason, Staff are recommending that the 2021 surplus from Economic Development of \$70,650 be committed to fund the following 2022 activities to provide critical capacity to support a 2022 workplan that will activate Caledon's downtowns, and establish support of our economic stakeholders.

- The Economic Development team's CBIZ services (designed to provide hands-on support to small businesses and entrepreneurs) were impacted by staff turnover and the continuing COVID-19 pandemic. As a result a portion of these funds are recommended to be committed to support Council's resolution (letter outlining the resolution attached as Schedule C to this report) and re-imagining the CBIZ program in partnership with the Caledon Chamber of Commerce.
- Throughout 2020 and 2021, Caledon's rural communities (described as service centres in our 2014 Tourism Strategy) faced unprecedented demand from visitors who came to Caledon as travel alternatives throughout the various phases of the pandemic. This increase in visitation created unforeseen demands on services that our visitors need when visiting Caledon; places to park, restrooms, waste disposal, and wayfinding. Council has passed a resolution to create a Visitor Management Task Force with an ambitious set of programs which relies on rethinking and expanding existing services. These funds would support the important work of this Task Force in addressing the immediate challenges faced by Caledon's rural service centres.
- The Economic Development office had fewer opportunities to organize and support events and activations around the community in 2021 as a result of the pandemic. The team has hired an activations student to create public activation opportunities in Caledon's downtown areas between June and August 2022. A portion of these funds would support this student and the important economic catalysts that downtown activations provide, to provide a series of activations including pop-ups in parks and public spaces, markets, and music.

People Services

To assist with the recruitment of the positions requested as part of the 2022 budget due to the Town's growth, it is recommended that a portion of the Town's surplus fund a 2022 contract recruiter position in the amount of \$66,310 to assist in the timely recruitment of new Staff.

Planning Services



Due to special events being postponed in 2021 due to the pandemic, heritage bicentennial celebrations will occur in 2022. Staff are requesting \$10,000 of the remaining heritage bicentennial celebrations funds from 2021 year end surplus be allocated to the 2022 budget since more events than anticipated will occur in 2022.

Post-Retirement Benefits to age 65 for Full-Time Firefighters

The Town entered into an agreement with the Caledon Professional Firefighters Association in 2015 to award post-retirement employment benefits effective December 31, 2018 for eligible full-time firefighters up-to age 65. The most current actuarial estimate of the total post-employment benefits liability as of December 31, 2021 is \$221,126. Staff recommend fully funding the increase in the liability by allocating \$22,304 of the 2021 year-end surplus to the Firefighter Post-Retirement Benefits reserve.

Year End Surplus

Staff is recommending that the \$7,849,432 operating surplus for 2021 be transferred as follows:

- \$22,304 to the Firefighter Post-Retirement Benefits reserve to fund the liability estimated by the actuarial;
- Funds from the COVID-19 Safe Restart funding of \$243,310 be transferred to the Operating Contingency Reserve to assist with 2022 COVID-19 budget pressures as approved in the 2022 budget and is shown as a commitment;
- Remaining funds of \$7,436,820 will be allocated to the Tax Funded Capital Contingency Reserve to fund unexpected, unanticipated or emergency capital expenses if required. This reserve has been substantially depleted and without this contribution would leave the Town without an easily accessible funding source for emergency capital works. There has also recently been shortfalls in Town's construction budgets due to significant increases in construction costs due to the pandemic and inflation. It is expected we may continue to see budget shortfalls due to escalating inflation that could span multiple years and cause permanent price adjustments. By allocating some of the one-time revenues/savings the Town has received in 2021 to this reserve the Town will be able to respond quickly to any urgent capital needs that are encountered in 2022 and future budgets.
- \$70,648 to the Operating Contingency Reserve to fund economic development initiatives in 2022 outlined above.
- \$66,310 to the Operating Contingency Reserve to fund a contract recruiter position for 2022.
- \$10,000 to the Operating Contingency Reserve to fund 2022 heritage bicentennial celebrations.

The current balances in the reserves before and after the recommended transfers and commitments are listed below:

Reserve Fund	Unaudited Uncommitted Balance as of March 31, 2022	2021 Operating Surplus – after commitments	Uncommitted Reserve Fund Balance - after surplus transfer
Post-Retirement Benefits to age 65 for Full-Time Firefighters	\$198,822	\$22,304	\$221,126
Tax Funded Operating Contingency Reserve	\$6,827,670	-	\$6,827,670
Tax Funded Capital Contingency Reserve	\$187,629	\$7,436,820	\$7,624,449

NEXT STEPS

In order to improve relevance and efficiency of regular reporting to council, staff will be reporting future operating variance reports on a Tri-annual basis due to the election. Staff will be providing following update on Operating and Forecast variances for 2022:

- Tri-annual Operating Variance report for period ending April 30th;
- Tri-annual Operating Variance and Forecast report for period ending August 31st;
- Year-end Operating Variance report for December 31st.

COUNCIL WORK PLAN

Subject matter is not relevant to the Council Workplan.

ATTACHMENTS

Schedule A: 2021 Year End Operating Budget Variance by Department/Division
Schedule B: Summary of 2021 Year End Operating Budget Variance by Department
Schedule C: Letter to Caledon Chamber of Commerce and BIA