



## **STRATFORD CITY COUNCIL ADDENDUM**

Adoption of Addendum to the Regular Council Agenda:

Motion by

**THAT the Addendum to the Regular Council Agenda, be adopted as printed to include the following:**

### **7.0 Orders of the Day:**

#### **7.14 Resolution - 2019 Year End Results (COU20-036):**

Attachment – Management Report dated April 14, 2020

Motion by \_\_\_\_\_

**Staff Recommendation: THAT the report of Director of Corporate Services dated 14<sup>th</sup> April 2020 regarding 2019 year end results be received;**

**AND THAT the Wastewater surplus of \$515,053.56 be closed out as follows:**

- **\$399,085.60 to the Wastewater Rate Stabilization Reserve G-R18-WWTR-0000**
- **\$115,967.96 to the Wastewater Capital Replacement Reserve Fund R-R11-WWTR;**

**AND THAT the Water surplus of \$276,812.84 be closed out to the Water Rate Stabilization Reserve G-R18-WATR-0000;**

**AND THAT the Waste Management surplus of \$508,575.90 be closed out to the Landfill Closure Reserve Fund R-R11-LAND;**

**AND THAT the Building Division deficit of \$310,012.08 be funded from the Building Permit Reserve G-R07-BSUR-0000;**

**AND THAT the Parking surplus of \$240,807.20 be closed out to the Parking Capital Reserve Fund R-R11-PRKG;**

**AND THAT the Tax Supported surplus of \$1,035,362.02 be closed out as follows:**

- **\$394,000 to the Police Capital Reserve Fund R-R11-POLI**
- **\$641,362.02 to the Tax Rate Stabilization reserve G-R14-TAXS-0000.**

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## MANAGEMENT REPORT

**Date:** April 14, 2020  
**To:** Mayor and Council  
**From:** Michael Humble, Director of Corporate Services  
**Report#:** COU20-036  
**Attachments:** Appendix A - Financial Report As At 31<sup>st</sup> December 2019

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**Title:** 2019 Year End Results

**Objective:** To provide Mayor and Council with information regarding the 2019 fiscal year end results and the disposition of surpluses / funding of deficits.

**Background:** As part of Best Budgeting Practices, a municipality should evaluate its financial performance relative to the adopted budget.

Staff are offering Council a review of the 2019 year end position, the resulting fund surplus / deficits and their disposition.

**Analysis:** All year end adjusting entries have now been made awaiting auditor review.

Rate supported operations close out to their own reserves and the following is a list of final position and the reserve transfers that have been made.

Commentary on financial performance has not been provided here but Appendix A will serve to highlight those operations that experienced unresolved fiscal challenges during 2019.

### User Pay Operations

By definition, these operations close out to their own operating contingency or capital funding reserves without contribution from the general tax supported fund.

Rate stabilization funds for Water and Wastewater operations were created in 2019. These were created to mitigate user rate changes during preparation of the annual operating budget and to protect the City against any unanticipated expenditures of an operating nature that may occur during the year.

Wastewater operations finished the year with a **surplus** of \$515,053.56. The target range for the Wastewater Rate Stabilization Reserve G-R18-WWTR-0000 is up to 10% of the user rate Wastewater budget (or \$695,000 based on approved 2020 budget).

\$399,085.60 was transferred to the Wastewater Rate Stabilization Reserve G-R18-WWTR-0000 to maximize target balance.

The remaining 2019 surplus of \$115,967.96 was transferred to the Wastewater Capital Replacement Reserve Fund R-R11-WWTR which will be beneficial to reduce the deficit position experienced in this reserve fund.

Until the rate stabilization reserve is drawn down for unanticipated operational needs, future surpluses shall be redirected to the Wastewater Capital Replacement Reserve Fund (R-R11-WWTR) to lower the deficit position and for budgeted capital needs.

Water operations finished the year with a **surplus** of \$276,812.84 which was closed out to the Water Rate Stabilization Reserve G-R18-WATR-0000. The target range for this reserve balance is up to 10% of the user rate Water budget.

The 2019 closing balance is \$446,704.87 which is 9.64% of the 2020 operating budget.

Future operating surpluses should be used to lower the fee increases in future years or redirected to the Water Capital Replacement Reserve Fund (R-R11-WATR) for budgeted capital needs.

Waste Management operations finished the year with a **surplus** of \$508,575.90 which is normally closed out to the Waste Management Capital Reserve Fund R-R11-WAST.

**Consideration** could be given to the direction of these funds to the 2018 reserve fund created to acknowledge and address landfill post closure costs R-R11-LAND. This new reserve fund was created in 2018 with no funding applied.

The City is obligated to report as a liability the estimated future cost of landfill closure and post closure expenses. The latest audited financial statements (2018) estimate the liability to be \$1,412,134. The liability will continue to increase as landfill capacity is progressively used, we get closer to full capacity and the post closure costs keep escalating.

The 2020 expense is estimated to be \$139,900 based on historical experience. Total liability therefore is currently around \$1,552,034.

This liability is unfunded by the City and is reported as such on our financial statements. The Treasurer suggests progressively funding this liability with year-end surpluses from waste management operations or budgeted transfers to this reserve.

Parking operations experienced an overall surplus of \$590,807.20 and after leaving the budgeted amount of \$350,000 in operations as revenue, the residual **surplus** of \$240,807.20 was transferred to Parking Capital Reserve Fund R-R11-PRKG.

Building Division experienced a **deficit** of \$310,012.08 after consideration of direct and indirect costs. In keeping with the direction of Bill 124, this amount was transferred from the Building Permit reserve G-R07-BSUR-0000.

The balance in the Building Permit reserve was therefore \$247,465.58 at 2019 year-end. Budgeted utilization of reserve funds in 2020 are \$251,240, thereby drawing the balance to essentially zero.

Actions to increase revenues or reduce expenses in 2021 will be required.

### Tax Supported Operations

The general tax supported fund which comprises all City services other than those specifically listed above finished the year in a **surplus** position of \$1,035,362.02.

As in any year, some City operations were under budget while others experienced unresolved financial challenges to finish over their approved budget. Details can be found on Appendix A.

Stratford Police Service (SPS) finished the year with a surplus of \$787,855 and the Police Services Board has passed a resolution requesting that the City permit the SPS to retain 50% of their surplus position (or \$394,000) to be utilized in 2020 for purposes remaining to be identified. The remaining 50% of the SPS surplus would be retained by the City.

If approved by Council, this would leave a residual 2019 tax supported operating surplus of \$641,362.02.

It has been requested that the 2019 surplus be considered as a source of funding for revenue reductions being experienced in 2020 as City facilities close to the public, and transit fares and parking revenues are waived.

In order to comply with this request it is suggested that the amount of \$641,362.02 be parked in the Tax Rate Stabilization reserve **G-R14-TAXS-0000** at the 2019 year end, pending its use in 2020.

The Tax Rate Stabilization Reserve is the City's cushion to smooth year to year operational challenges and offers the flexibility to react outside the budget process to emergent opportunities.

**Financial Impact:** As noted above.

**Alignment with Strategic Priorities : Strengthening our Plans, Strategies and Partnerships** - Communicating clearly with the public around our plans and activities.

**Staff Recommendation:** THAT the report of Director of Corporate Services dated 14<sup>th</sup> April 2020 regarding 2019 year end results be received,

**AND THAT** the Wastewater surplus of \$515,053.56 be closed out as follows:

- \$399,085.60 to the Wastewater Rate Stabilization Reserve G-R18-WWTR-0000
- \$115,967.96 to the Wastewater Capital Replacement Reserve Fund R-R11-WWTR,

**AND THAT** the Water surplus of \$276,812.84 be closed out to the Water Rate Stabilization Reserve G-R18-WATR-0000,

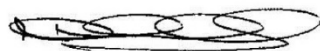
**AND THAT** the Waste Management surplus of \$508,575.90 be closed out to the Landfill Closure Reserve Fund R-R11-LAND,

**AND THAT** the Building Division deficit of \$310,012.08 be funded from the Building Permit Reserve G-R07-BSUR-0000,

**AND THAT** the Parking surplus of \$240,807.20 be closed out to the Parking Capital Reserve Fund R-R11-PRKG,

**AND THAT** the Tax Supported surplus of \$1,035,362.02 be closed out as follows:

- \$394,000 to the Police Capital Reserve Fund R-R11-POLI
- \$641,362.02 to the Tax Rate Stabilization reserve G-R14-TAXS-0000.



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Michael Humble CPA,CGA, Director of Corporate Services



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Joan Thomson, Acting Chief Administrative Officer

Operating Variance Report As At 31st December 2019

Department	2019 Budget	31-Dec Results	% of Budget	Surplus / (Deficit) ACTUAL Variance At 31 Dec 2019	Explanation
<u>Mayor/Council/CAO Office</u>					
101 - Mayor's Office	89,530	96,898	108.2	(7,368)	
102 - Council Services	238,720	332,866	139.4	(94,146)	Increased council remuneration applied retroactively to 1st January
111 - CAO's Office	677,900	704,432	103.9	(26,532)	
<u>Human Resources</u>					
112 - Human Resources	614,810	605,577	98.5	9,233	
<u>Corporate Services</u>					
121 - City Clerk	511,240	507,482	99.3	3,758	
131 - Financial Services	1,333,000	1,275,587	95.7	57,413	
134 - Information Technology	965,470	1,015,072	105.1	(49,602)	Payroll costs higher due to increased workload and requests for project assistance
135 - Parking	(350,000)	(350,000)	0	0	\$240,807 transferred to Parking Reserve
136 - Crossing Guards	238,990	217,146	90.9	21,844	
139 - General Financial Services	2,090,450	2,659,154	127.2	(568,704)	There is potential for an insurance recovery to offset some expenses related to cyber incident.
511 - Industrial Land Sales	0	3,484		(3,484)	Only \$3,000 in recorded land sale revenue. 2019 expenses covered by a transfer from reserve fund at year end \$482,372.16
810 - Requisitons from Others	8,481,630	8,403,139	99.1	78,491	
820 - Other Municipal Services	105,970	90,141	85.1	15,829	Reduced spending by Heritage Stratford
872 - Community Grants	905,380	794,709	87.8	110,671	
<u>Infrastructure &amp; Development Services</u>					
141 - City Building Maintenance	549,390	581,711	105.9	(32,321)	Snow removal expenses were \$49,000 higher than budgeted.
251 - Building & Planning					
2400 Building Inspection	0	0		0	\$310,012.08 revenue shortfall funded from Building Services Reserve. Revenues down by \$405,000 of which \$380,000 was attributable to Building Permit fees. Overall expenses were \$198,000 less than budgeted.
2406 ByLaw Enforcement	156,930	141,503	90.2	15,427	
Planning, Zoning & COA	224,670	222,270	98.9	2,400	
310 - Engineering	1,041,460	1,026,582	98.6	14,878	
315 - Fleet	1,872,880	1,826,103	97.5	46,777	
320 - Roads	5,293,320	5,220,908	98.6	72,412	
340 - Storm	3,172,290	3,174,436	100.1	(2,146)	

City of Stratford

Operating Variance Report As At 31st December 2019

Department	2019 Budget	31-Dec Results	% of Budget	Surplus / (Deficit) ACTUAL Variance At 31 Dec 2019	Explanation
<u>Fire</u>					
211 - Fire	7,609,110	7,693,221	101.1	(84,111)	
512 - Airport	175,140	172,543	98.5	2,597	
<u>Community Services</u>					
711 - Parks	2,110,620	1,928,911	91.4	181,709	PT salaries, maintenance contracts and facility improvements were under utilized.
721 - Recreation	4,410,710	4,412,846	100.0	(2,136)	
731 - Cemetery	188,520	53,848	28.6	134,672	Combination of salaries and benefits, fuel and contractors.
750 - Transit	1,711,730	1,656,572	96.8	55,158	
751 - Parallel Transit	478,730	372,557	77.8	106,173	FT Salaries and benefits were miscalculated.
<u>Social Services</u>					
611 - Ontario Works	638,160	589,304	92.3	48,856	
614 - Social Housing	0	0		0	
615 - Housing	2,035,450	1,982,002	97.4	53,448	
616 - Child Care	330,260	252,981	76.6	77,279	
617 - Early Learning & Child Development	0	0		0	
613 - Anne Hathaway Day Care	6,570	7,846	119.4	(1,276)	
618 - Britannia Street Apartments	0	130,419		(130,419)	Loss of 2.5 months budgeted revenue due to late opening.
<u>Police</u>					
231 - Police	11,248,510	10,460,655	93.0	787,855	Increased grant revenue and lower payroll costs
<u>Library</u>					
411 - Library	2,449,130	2,419,070	98.8	30,060	
Total Tax Supported Expenses	61,606,670	60,681,976	98.5	924,694	
<u>TREASURY REVENUES</u>					
Municipal Taxation	(59,220,220)	(59,220,207)	100.0	(13)	
Payments In Lieu	(236,450)	(240,926)	101.9	4,476	
Festival Hydro Dividends	(2,150,000)	(2,150,040)	100.0	40	



City of Stratford

Operating Variance Report As At 31st December 2019

Department	2019 Budget	31-Dec Results	% of Budget	Surplus / (Deficit) ACTUAL Variance At 31 Dec 2019	Explanation
Rebates and Write-offs	1,100,000	1,646,824	149.7	(546,824)	Number of large multi-year assessment appeals were concluded in 2019
Supps and Omits	(1,100,000)	(1,752,989)	159.4	652,989	Supplemental tax revenue lags building permit activity by a year. Reflects good year in permit activity in 2018.
Total Treasury Revenues	(61,606,670)	(61,717,338)	100.2	110,668	
Tax Supported Surplus / (Deficit)	0	(1,035,362)		1,035,362	
USER PAY DEPARTMENTS					
330 - Sanitary	0	0.00		0	Surplus of \$515,053 cleared to Sanitary Rate Stabilization Reserve & Wastewater Capital Reserve Fund. Revenue exceeded budget by \$130,000. Electrical expense was \$170,000 less than budgeted and \$100,000 lower than 2018 actual. Debt paymnet was \$100,000 less than the budget.
350 - Water	0	0.00		0	Surplus of \$276,813 was cleared to Water Rate Stabilization Reserve. Revenue was \$200,000 greater than forecasted and overall expenses were done by \$76,000.
360 - Waste	0	0.00		0	Surplus of \$508,576 was cleared to Waste Management Rate Stabilization Reserve. Revenue was \$300,000 higher than forecasted of which \$270,000 came from Bag Tag sales. Overall expenses were lower by \$200,000.
User Pay Surplus / (Deficit)	0	0		0	