



# Staff Report

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**To:** Council  
**From:** Nelly Morrow, Director of Finance / Chief Financial Officer  
**Meeting Date:** September 27, 2023  
**Report No.:** FI2023 - 08  
**Subject:** Financial Executive Summary – Q1 & Q2 2023 (Revised in bold)  
**Type:** For Information Only  
**Motion No.:** C230927-10

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## Recommendation

It is recommended:

1. That Staff Report No. FI 2023-08 Financial Executive Summary Report – Q1 & Q2 2023 be received for information.

## Background

The objective of this report is to provide Council with a comprehensive summary of the financial outcomes pertaining to both operating and capital expenditures in comparison to the budgets that received approval. The Township's 2023/2024 budget was approved at a special meeting of Council on March 29, 2023.

Departments are responsible for the delivery of programs and services. Variance analysis ensures they are trending toward their established budgets. The budget was prepared to maintain the service and infrastructure excellence the Township has provided to residents and businesses while controlling spending.

## **Analysis**

Overall, from an operating and capital perspective, the Township is managing within the approved budget. Staff will continue to focus on service delivery and expense management to ensure the Township remains in a stable financial position.

Actual expenditures and revenues were analyzed and related commentary on potential deviations from the budget that are expected to have an impact on the year-end financial position were identified. Departments have identified some positive trends, challenges, and concerns based on all known and available information at the time of this report.

### **Environmental Pressures and Trends**

In today's ever-evolving economic landscape, it is imperative to closely examine the prevailing trends and pressures that shape our financial world. Some of the key drivers and factors driving these economic shifts include but are not limited to;

#### **Compensation and Benefit Costs:**

The last few years have seen some unprecedented challenges in the workplace and workforce resulting in increased competition for workers and wage pressures. Labour gapping occurs when a position budgeted for remains vacant for a period of time before a successful candidate is hired which can be seen across the Township due to but not limited to:

- Time to Recruit – Generally departing employees provide 2-3 weeks' notice of their resignation. Recruitment processes from posting to a new employee commencing work takes approximately 7-9 weeks depending on the length of notice they are required to provide in the employment they have resigned from.
- Skills Gap – A limited number of applicants are received for posting and of those received several do not meet the minimum qualifications.
- Transitional Workforce – Vacancies created due to an increase in retirements; opportunities for advancement; opportunities with greater financial benefits, flexibility, and family reasons.
- Economic Uncertainty – Possible recession looms combined with inflation increases resulting in jobseekers applying for positions with higher salary ranges.

#### **Township Digitalization:**

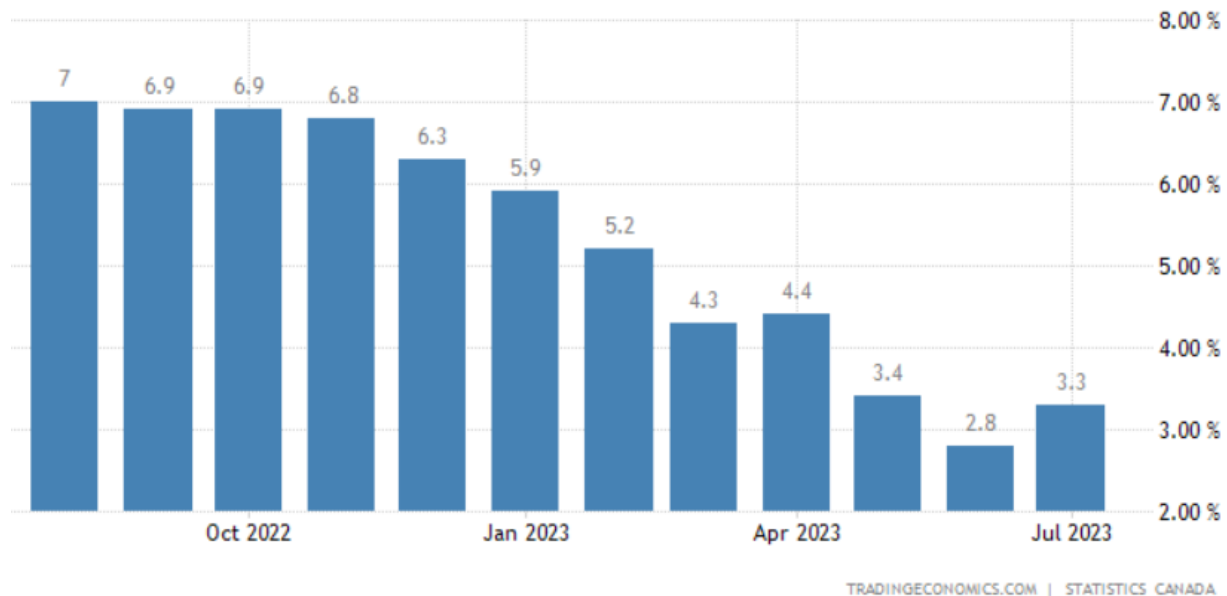
Opportunities to enhance service delivery and efficiencies along with the growing demand for e-services within the Township have resulted in concentrated efforts on

process re-engineering and adoption of technology. Advancing its digital technology infrastructure comes with common challenges that often develop during complex implementations such as:

- New delivery methods, procedures, and training have been both time-consuming and rewarding from a continuous improvement/efficiency perspective.
- Continuous improvement of online permit/application submissions and payment options, anticipate additional planning for successful implementation required as a result of Planning and Development Process Review recommendations.
- Doing business electronically, including meetings, and communications both internal and external, requires a focus on rural internet connectivity, and other applications.

#### Inflation and Rising Interest Rates:

Inflationary trends identified in the 2023/2024 budget continue as anticipated. As a result, the Township has been experiencing rising prices as anticipated for goods and services which has led to increased operational costs such as fuel, asphalt, and contracted services. Inflation rates are unpredictable although beginning to show a reducing trend as illustrated in the table below. The pace of inflation is cooling although this does not mean prices are coming down. Many economists believe it will take a long time to get costs back into line, likely not until the end of 2024.



## Operating Variance Summary

Overall, the Township is under budget by \$653K. The first six months of the year came with inflationary challenges and contractor issues which has an impact on the staff's ability to project a full year-end operating position.

Appendix A illustrates the operating surplus/deficit by department. The total Township's overall operating surplus is \$621K, and the driving factors include but are not limited to;

- **Building User Fees:** As Oro-Medonte is a small rural municipality and Building permit fees are based on areas of buildings, large commercial and industrial projects can have a significant impact in building permit revenue. These large fees are difficult to rely upon for revenue projections as much as the typical residential construction that the Township sees year to year. The current increase over the budget of \$97K in building user fee revenues is due to one large industrial build.
- **Environmental Services Other Revenue:** Bulk water sales are included in this category which are above budget by 87K mainly due to a temporary emergency bulk water supply agreement related to a private well pump failure.
- **Salaries & Benefits:** The Township continues to experience labour shortages and staff gapping around the various recruiting positions. As a result, overall, salaries and benefits are trending under budget by \$622K.
- **Legal Expenses:** Enforcing bylaws and dispute resolution continues to challenge the Township. Wherever possible, actions and alternative decisions to reduce costly legal expenses are made although in many cases third-party actions are not under the Township's control, for example, lengthy OLT appeals. **The following summarizes the Township's legal expenditures to date which are over budget by \$180K.** Reserves of \$200,000 were included in the 2023 operating budget to cover deficits in legal expenses.

Department	Status	Total Aug YTD	2023 Budget
Human Resources	Labour and Employment Law	\$14,617	\$40,000
Corporate Services	Support with several FOI requests and appeals to the IPC	2,530	10,000
Corporate Services	Real Estate and Land Matters	1,176	5,000
Total – Corp. Services		\$3,706	\$15,000
Development Services	OLT Appeals & Planning Matters	4,901	

Development Services	Short Term Rentals	92,122	100,000
Development Services	Support related to Building and Septic	348	20,000
Total – Dev. Services		\$97,371	\$120,000
Emergency Services	Support related to Shanty Bay Hall Construction	\$1,653	
Operations	Support related to road matters (agreements, drain work, easements, etc.	\$4,085	\$12,100
Community Services	Matters pertaining to Parks & Rec	\$575	\$2,500
Shared Services	General Matters (non-departmental)	10,356	
<b>Shared Services</b>	<b>Human Rights Tribunal</b>	<b>13,713</b>	
Shared Services	Cannabis	347,957	
Shared Services	Try Recycling	8,611	
Total Shared Services		\$380,638	\$150,000
Environmental Services	Zone 1 Integration	95,900	
Environmental Services	Municipal Services Corp.	6,456	
Total – Environmental Services		\$102,356	\$70,000
Integrity Commissioner		\$4,313	\$18,000
Closed Meeting Investigations		\$0	\$1,300
Total Legal Expenses		\$609,314	\$428,900

### **Capital Variance Summary**

Appendix B lists all the Township capital projects totaling \$17mil including status updates. Most of the road projects are completed or near completion. Projects that began in Q3/Q4 of 2023 will be the focus for the remainder of this year and into next year.

During the first six months of this year, Staff have ensured that project planning and availability of resources are managed for successful completion in a timely manner. The general workforce challenges across employment sectors have created additional challenges. Any amounts not spent in the 2023 budget year will be transferred to reserves to be available to fund these carryover projects in 2023.

## **Financial/Legal Implications/ Risk Management**

Financial implications are discussed above.

## **Policies/Legislation**

Non-Applicable

## **Corporate Strategic Goals**

Continuous Improvement & Fiscal Responsibility

Prepare for our Future

## **Consultations**

Senior Management Team

## **Attachments**

Appendix A – Operating Variance Summary

Appendix B – Capital Progress Update

## **Conclusion**

Township Staff has been working diligently to continue delivering key services to residents, review priorities, adapt to the challenges, and focus on key initiatives that will drive the Township forward.

Mainly resulting from a lack of external resources and timing of the implementation of some projects, overall capital expenditures will be lower than the 2023 Capital Budget and will carry over into the 2024 budget year.

Financial updates in Q4 will provide more details to forecast year-end predictions and estimate capital underspending for the 2023/2024 budget year.

Respectfully submitted,

Nelly Morrow, Director of Finance, Chief Financial Officer

September 18, 2023

**Approvals:**  
Robin Dunn, CAO

**Date of Approval:**  
September 20, 2023