

**Subject:** Third Quarter Financial Results

**Staff Report No.** FI-016-24

**Department/  
Commission:** Finance Services Commission

**Date:** December 11, 2024

**Recommendation:**

1) That Council receive Report No. FI-015-24 for information.

**Report Highlights**

- Operating Results: Favourable variance in the tax-supported budget of \$749,900 as of September 30, 2024.
- Year End Projection: Unfavourable variance in the tax supported budget of \$159,800 as of December 31, 2024, primarily driven by slow development activity.
- Capital Program: Approximately \$7.2 million has been spent to September 30, 2024 towards the total capital program of \$65.3 million.
- Development charge collections are trending lower than forecast, as the activity is cyclical and impacted by economic conditions.
- Most of the key activities from the 2022-2026 Strategic Plan are trending on track.

**1. Purpose:**

The purpose of this report is to provide Council with an update of the key operating results and the capital spending as of September 30, 2024, including a forecast of the year-end operating position.

**2. Background:**

This report is prepared pursuant to financial management best practices and budgetary control. Finance staff are committed to providing quarterly reporting on the financial results of the Town to provide increased transparency and to promote trust in the financial processes of the Town. Accordingly, this report includes reporting on the third and forecasted fourth quarter activity related to Town operations and the capital spending of projects.

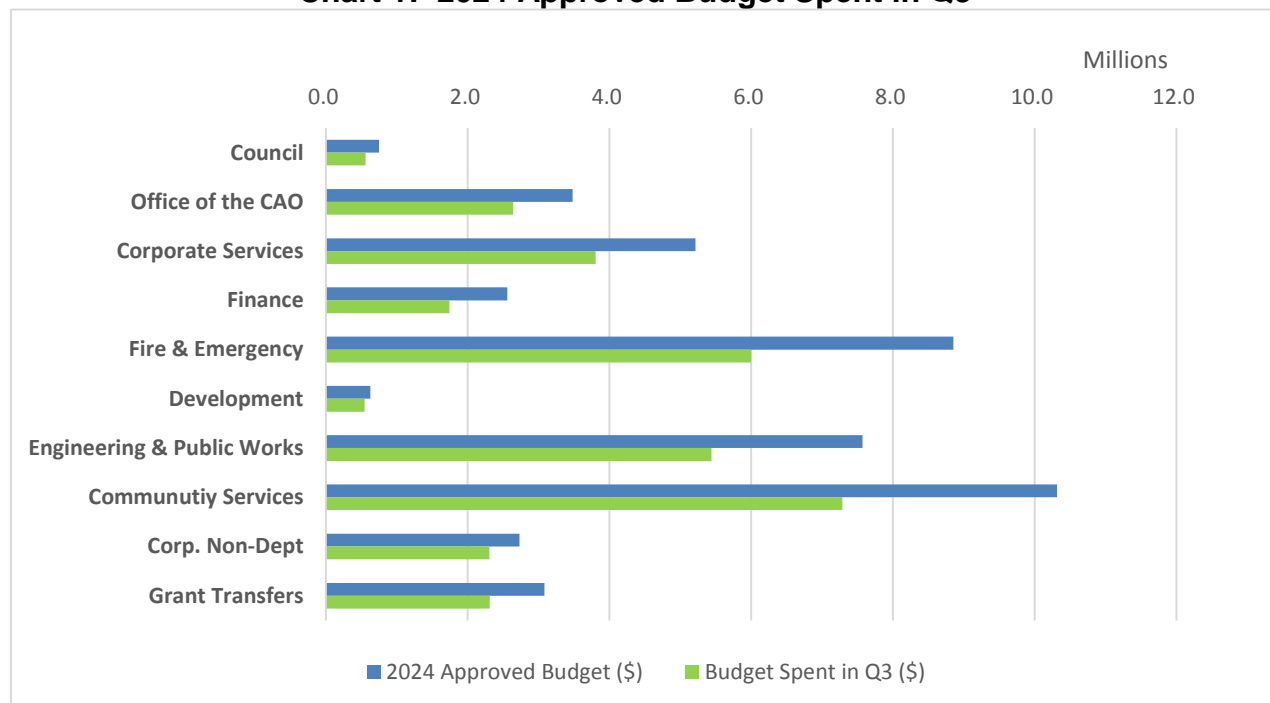
Where significant variances or events that impact 2024 operating revenues and expenditures are known, these have been identified.

### 3. Analysis:

#### 3.1 2024 Operating Results

A review of the first nine months of operating activity shows a favourable variance in the tax-supported budget of \$749,900. As shown in Chart 1 below, the majority of departments are currently tracking close to the budget and have spent approximately 75% of the approved budget as at September 30, 2024.

**Chart 1: 2024 Approved Budget Spent in Q3**



Staff have also provided forecasted amounts as of year end, resulting in a projected operating deficit of \$159,800.

The following summarizes the key variances in the tax-supported budget:

- Savings in property maintenance and professional & contracted services expenses were incurred due to fewer winter weather events in early 2024. Based on year end projections, this is expected to trend closer to budget in Q4.
- Revenue from interest and penalties remains above budget at Q3 and this is projected to continue to be above budget at year end.
- Development driven user fees are below budgeted amounts, as a result of continued slow development activity due to market trends and overall economic

conditions. This is the main driver behind the operating deficit in the Development Services commission as at Q3 and projected at year end. The slower revenues are also impacting the projected deficit in Engineering & Public Works at year end with review and inspection fees trending well below budget.

- Fill pit revenues are over budget at Q3 and are also projected to surpass budget at year-end due to additional billing opportunities, as a result of drone surveillance.
- Salaries and benefits expenses are trending higher than budget both at Q3 and year end due to increased part time staff required to support areas such as parks projects and additional facility usage and program offerings within Community Services. Full time salaries were above budget primarily due to the impact of continuance payments for employees whose contract with the Town ended during 2024.
- Facility rental income was above budget in Q3 due to increased rates for ice rental and greater usage of facilities including arenas, halls, and the pool. This is projected to continue to be above budget at year end.

The rate-based budgets are in an unfavourable position overall as of September 30<sup>th</sup> and are expected to continue this way until year-end as well.

- Revenue from building permits is under budget, contributing to the unfavourable variance in the Building Services budget in Q3. The deficit is projected to increase at year end, with no large applications expected in Q4 due to continued slow development activity.
- Water and Wastewater budgets are currently in a deficit as payments to the Region are over budget. Staff are continuing to investigate areas to account for discrepancies. The unfavourable variance is also impacted by slower development activity, with revenues from sale of water meters, unmetered, and bulk water tracking under budget
- Cemetery is tracking favourable to budget and is expected to be close to or in a slight deficit to budget at year end. This is mainly due to grave openings / burial fees, which are under budget and are difficult to predict due to timing and demand.
- The favourable variance in the Library budget is mainly driven by the savings in salaries and benefits due to gapping in several positions and an increase in bank account interest rates.

Table 1 contains a summary of Q3 variances and Q4 forecast by department. Quarterly analysis assesses expenditures relative to budget, and the values have been adjusted based on historical trends and seasonality that typically occur. The Q2 results have been included for comparison.

**Table 1: Q3 Variances and Q4 Forecast – by Department**

	Jun 30, 2024	Sep 30, 2024		Dec 31, 2024 (Forecast)	
	Q2 Budget vs Actuals	Q3 Budget vs Actuals**	Result*	Q4 Budget vs Forecast	Result*
	Fav / (Unfav) \$	Fav / (Unfav) \$		Fav / (Unfav) \$	
<b>TAX SUPPORTED</b>					
Taxation Revenue	69,100	175,900	✓	265,900	✓
Council	4,500	3,200	✓	19,000	✓
Office of the CAO	71,400	(46,000)	✗	(51,100)	✗
Corporate Services	220,200	124,700	✓	(21,700)	✗
Finance	184,800	181,300	✓	248,700	✓
Fire & Emergency Services	280,200	338,100	✓	221,100	✓
Development Services	(511,900)	(47,400)	✗	(454,900)	✗
Engineering & Public Works	282,600	137,800	✓	(228,900)	✗
Community Services	181,600	140,700	✓	56,200	✓
Corporate Non-Departmental	(179,500)	(258,400)	✗	(214,100)	✗
<b>NET SURPLUS - TAX SUPPORTED</b>					
	<b>603,000</b>	<b>749,900</b>	✓	<b>(159,800)</b>	✗
<b>% of Budgeted expenditures</b>	0.82%	1.02%		0.22%	
<b>RATE SUPPORTED AND LIBRARY</b>					
Building Services	(49,800)	(150,400)	✗	(510,500)	✗
Wastewater	(132,200)	(215,500)	✗	(217,100)	✗
Water	(106,400)	(198,800)	✗	(338,300)	✗

Cemetery	32,300	20,700	✓	(21,700)	✗
Library & Latcham Art Centre	71,200	184,200	✓	117,400	✓
<b>NET SURPLUS-OTHER FUNDS</b>	<b>(184,900)</b>	<b>(359,500)</b>	<b>✗</b>	<b>(970,200)</b>	<b>✗</b>

\* LEGEND

✓	Favourable Variance (Surplus)
✗	Unfavourable Variance (Deficit)

\*\*Table 1 contains a summary of the Q3 operating variances that are adjusted for known and expected seasonal fluctuations, accruals, and other accounting entries.

### 3.2 Year-End Forecasted Deficit

Based on current spending and the decrease in revenue in some key program areas, staff are forecasting that the Town will be in a deficit position at year-end. This is driven primarily by the pressures identified below.

- Revenue shortfalls from slower development activity.
- Write-off of fees as a result of a settlement agreement.
- Expenses related to organizational restructuring activities.

Listed below are some of the pressures that are more specifically impacting the forecasted deficit by department in the tax-supported budget.

- Development Services are not anticipating any large residential development applications in Q4. User fees from the Planning department are significantly under budget due to economic activity and market conditions.
- Engineering and Public Works are also experiencing the impact of slower development activity, as engineering revenues such as review, inspection, and other administrative fees are trending well below budget. In Q2 and Q3, this was offset by savings in some expenditures such as winter maintenance, as there were fewer weather events than anticipated. This was able to drive the favourable variance for the department for these quarters. However, these expenses are expected to trend closer to budget by year end, resulting in the unfavourable variance.
- Corporate non-departmental remains in an unfavourable position at year end mainly due to the organizational restructuring expenses and significant write-off of fees resulting from a settlement agreement.
- The Office of the CAO is anticipated to finish slightly unfavourable to budget, largely due to legal fee revenues that are lower than anticipated because of decreased Development Services activity and above-budget communications expenses.

- Corporate Services are also projected to finish slightly unfavourable to budget, this is mainly driven by the expenditures related to the new AMPS program.

Within the rate-supported budget, the following are impacting the departments' projected unfavourable variances.

- Building Services revenues are projected to be significantly under budget due to slow development activity. The largest impact is expected to be in the building permit revenues, due to the decrease in residential home construction and no large project applications expected in Q4.
- Water and wastewater are projected to finish unfavourable to budget as Region payments continue to track higher than budget. Further impact of slower development is anticipated with revenues from sale of water meters, unmetered and bulk water under budget. Expenses in wastewater are also slightly above budget in areas such as CCTV scans to maintain infrastructure.
- Cemetery is slightly unfavourable due to grave openings / burial fees, which are under budget and are difficult to predict due to timing and demand.

### 3.3 2024 Capital Program

The 2024 capital program is \$65.3 million composed of \$25.4 million in 2024 projects and \$39.9 million in budget remaining on projects being carried forward from prior years. About \$9.3 million of the carried forward projects are related to either front-ended agreements or outstanding payments for developers' claims.

As of September 30<sup>th</sup>, approximately \$7.2 million has been spent to date.

Table 2 is a breakdown of the approved budget and amount spent to September 30th, 2024, by department.

**Table 2: 2024 Capital Program by Department**

Department	Carry-Forward Capital Budget (\$) from prior years (1)	2024 Approved Capital Budget (\$) (including in-year) (2)	Cancelled Projects (\$) (3)	Re-budgeted Projects (\$) (4)	Total Active Capital Projects Budget (\$) (1)+(2)-(3)-(4) = (5)	2024 Spending (\$) As of Sep 30, 2023 (6)	Remaining Budget (\$) (5)-(6) = (7)
Office of the CAO	10,481	97,271	-	-	107,752	-	107,752
Corporate Services	1,739,634	1,201,000	-	500,000	2,440,634	908,547	1,532,087
Finance	50,000	50,000	-	-	100,000	52,839	47,161
Fire & Emergency	1,992,619	162,300	-	-	2,154,919	358,077	1,796,842
Development Services	931,961	880,000	-	150,000	1,661,961	144,228	1,517,733

Engineering & Public Works	19,591,461	19,668,734	-	4,450,000	34,810,195	2,968,203	31,841,992
Community Services	6,235,230	3,156,000	-	50,000	9,341,230	2,365,246	6,975,984
Library	64,440	200,000	-	-	264,440	29,426	235,014
Front-Ended & Developer Agreements	9,260,575	-	-	-	9,260,575	351,644	8,908,931
<b>Total</b>	<b>39,876,401</b>	<b>25,415,305</b>	<b>-</b>	<b>5,150,000</b>	<b>60,141,706</b>	<b>7,178,210</b>	<b>52,963,496</b>

During the 2025 budget process, 6 projects were rescheduled for later periods, totalling \$5,150,000. These funds will be returned to the reserves. Additionally, staff identified that 49 projects were either completed, completed – in warranty, or substantially completed, as of September 30, 2024. Any remaining in the budget associated with the completed projects will also be returned to the reserves.

### 3.4 Development Charges

Development activity is important to the Town’s capital program as a primary funding source for development-driven capital projects. Year-to-date development results are presented in Table 3. As of September 30th, 2024, \$3.490 million in development charges have been collected. Development charges for 81,135 sq. ft. of non-residential floor area have been collected to date, and this is expected to increase to just over 200,000 sq. ft. by the end of 2024. This is due to collections for a 126,000 sq. ft. non-residential project in Q4 that totalled \$721,000 in non-residential development charges. For residential development, development charges for 186 units have been collected to date and this is projected to reach approximately 200 units by the end of 2024. This is expected to finish below forecast as developments are cyclical and impacted by overall economic conditions.

**Table 3: 2024 Development Charge Activity**

	<b>Development Forecast in DC Background Study (Units)</b>	<b>2024 YTD Actual (Units)</b>	<b>2024 Development Forecast (\$ millions)</b>	<b>YTD Actuals (\$ millions)</b>
Residential	578 units	186 units	14.728	2.877
Non-Residential	271,060 s.f.	81,135 s.f.	1.645	0.613
<b>Total</b>			<b>16.373</b>	<b>3.490</b>

\* Reported in single residential unit equivalents

### 3.5 Economic Indicators and Inflation

The Non-residential Building Construction Price index (NRBCPI) produced by Statistics Canada is the benchmark the Town uses to track the inflationary impacts on the capital program, while the Consumer Price Index (CPI) is a good proxy for the inflationary pressures on most of the Town’s operating costs.

**Table 4: Third Quarter (Q3) Inflation**

	Q3 2023	Q2 2024	Q3 2024	Q2/23 to Q2/24 Change	Q1/24 to Q2/24 Change
CPI	158.6	160.8	161.3	<b>1.70%</b>	<b>0.31%</b>
NRBCPI	155.3	159.6	Statistics Canada has not yet released Q3 2024 data for this metric.		

CPI: Consumer Price Index, Statistics Canada.

[Table 18-10-0006-01 Consumer Price Index, seasonally adjusted](#)

NRBCPI: Non-Residential Building Construction Price Index - Statistics Canada.

[Table 18-10-0276-01 Building construction price indexes, by type of building and division](#)

Inflation is an important benchmark, indicating the trend and expected pressures on the Town’s operating and capital budgets. While the Town’s own mix of expenses are different from the “typical basket of goods” referenced by Statistics Canada’s CPI indicator, the trend is similar.

Similarly, the NRBCPI trend indicates the level of inflationary pressure on the Town’s capital program. When inflation rates outpace increases in the Town’s annual capital contribution rates and the Town’s investment returns, the Town faces erosion in the purchasing power of our capital dollars. This means additional efficiencies are required to achieve the aim of the long-range Capital Plan.

### 3.6 Taxes Receivable as of September 30, 2024

Tables 5 and 6 outline the number of tax accounts with outstanding balances and the total taxes receivable as of September 30, 2024.

**Table 5 Outstanding Taxes Receivables – Prior Years**

Year	June 30, 2024		September 30, 2024		Q3 Collection	
	# of Accounts *	Taxes Receivable (\$)	# of Accounts *	Taxes Receivable (\$)	# of Accounts Collected *	Taxes Receivable Collected (\$)
<b>2023</b>	1,143	5,009,443	930	4,181,394	213	828,049
<b>2022 and prior</b>	348	7,504,055	315	6,920,244	33	538,811
<b>Eligible for Tax Sale**</b>			315	6,920,244		
<b>Less: Payment Arrangements</b>			48	652,960		



<b>Collection in Progress</b>	<b>267</b>	<b>6,267,284</b>		
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\* The number of accounts outstanding for 2023 and 2022 tax years may include supplementary tax billings issued between July and September but not due until October and November.

\*\* The Eligible for Tax Sale only includes the taxes receivable amount from 2022 and prior. The 2023 and 2024 amounts owing for these accounts is reflected in the 2023 and 2024 taxes receivable information.

**Table 6 Outstanding Taxes Receivables – Current Year Only**

	30-Jun-24			30-Sep-24			Q3 Collection
	# of Accounts	Total Regular Billing issued (includes write-offs)	Taxes Receivable \$	# of Accounts	Total Billing issued (includes write-offs and supplementary)	Taxes Receivable \$	\$ Taxes Receivable Collected **
<b>2024 *</b>	18,861	131,772,270	\$68,892,869	19,796	\$134,930,304	\$16,826,766	\$55,222,565

\*Current year represents 2024 levies billed along with tax appeal write-offs, supplementary tax levies and additional fees added to the roll. As of September 30, 2024, the supplementary tax instalments have been issued but some billings are not due until October and November. Supplementary billings for October and November are still to be received from MPAC and billed.

\*\*The Q3 collection calculation considers the additional supplementary billings issued between July and September 2024.

### 3.7 Procurement Update – Q3 Contract Awards

Procurement Services awarded 21 contracts for \$7,438,975.62 in Q3-2024. Detailed award information is outlined in Attachment 1.

### 3.8 2022-2026 Stouffville Strategic Plan Quarterly Snapshot (as of Q3 2024)

#### **Background**

The Strategic Plan focuses on key priorities derived through recommendations from master plans and studies, operating and capital planning processes, and consultation with internal and external stakeholders. Consisting of seven (7) strategic pillars the Town’s Strategic Plan allows alignment with the Town’s service-based budget approach. Following Council endorsement in June 2023, staff have committed to reporting on the success and completion of these key activities to ensure transparency, accountability and progress.

#### **Analysis**

As outlined in Attachment 2, the Strategic Plan Quarterly Snapshot shows percentage of completion for each key activity. Each strategic pillar is broken down into 3 levels: (1) Goal, (2) Objective and (3) Key Activity. Under each goal there are 3-5 objectives, and each objective contains 3-5 key activities. Staff regularly complete status updates for the key activities and the completion of such filters up to provide the sum of the overall

completion for the objectives. The sum of progress and completion of each objective populates the overall status of the main goal for each strategic pillar.

Accompanying percentage of completion, the snapshot provides a colour code to indicate status of the goals, objectives, and key activities at a glance. The period of reporting covers from Q3 2024. Most of the key activities are trending on track, with few reporting schedule delays. Some key activities are identified as not started, due to the project timelines and start date noted for the project.

Some highlights to note are key activities that have been completed and/or have made significant progress nearing completion, which includes but are not limited to:

- Introduction of a Digital Art Series to explore the creation of digital art and stop motion animation for youth.
- Development of corporate wide Customer Service standards.
- Refinement of the Stouffville Celebrates Program.
- Assessment of iCompass functionality and exploration alternative software options.

There are a few Key Activities trending behind schedule but have not been identified as a significant delay concern. Conversely, there are also several Key Activities that are ahead of schedule.

#### **4. Financial Implications:**

There are no financial implications arising from this report.

#### **5. Broader Intergovernmental Impacts and/or Considerations:**

There are no broader intergovernmental impacts and/or considerations arising from this report.

#### **6. Communication:**

There are no communication implications resulting from this report.

#### **7. Alignment with Strategic Plan:**

1. Good Governance  
Provide Good Governance
2. Organizational Effectiveness  
To Elevate our Organizational Effectiveness

## **8. Attachments:**

FI-016-24 Attachment 1 – Q3 Contract Awards 2024

FI-016-24 Attachment 2 – Strategic Plan Quarterly Snapshot – Q3 2024

## **9. Related Reports:**

None

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