

**Subject: 2023 Tax and Rate Operating and Capital Budget Q1 Status**

**File Number: ACS-2023-FCS-FSP-0007**

**Report to Finance and Corporate Services Committee on 6 June 2023**

**and Council 14 June 2023**

**Submitted on May 26, 2023 by Cyril Rogers, General Manager and Chief Financial Officer (A), Finance and Corporate Services Department**

**Contact Person: Suzanne Schnob, Manager (A), Financial Service, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet: Rapport d'étape du T1 sur le budget 2023 de fonctionnement et des immobilisations pour les programmes financés par les recettes fiscales et les redevances**

**Dossier : ACS2023-FCS-FSP-0007**

**Rapport au Comité des finances et des services organisationnel le 6 juin 2023**

**et au Conseil le 14 juin 2023**

**Soumis le 26 mai 2023 par Cyril Rogers, Directeur général et chef des finances (T), Direction générale des finances et des services organisationnels**

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**Quartier : À l'échelle de la ville**

## REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee recommend that Council:

1. Receive this report and documents 1 to 4 for information;
2. Approve the \$4.4 million of funding received from the Ministry of Long-Term Care's *Investments to Increase Direct Care Time for Residents Program* be applied to the 2023 compensation budget as outlined by the Ministry of Long-Term Care.

## RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil:

1. de recevoir ce rapport et les documents 1 à 4 à titre d'information;
2. d'approuver que le financement de 4,4 millions de dollars reçu dans le cadre du programme d'investissements du ministère des Soins de longue durée pour augmenter le nombre d'heures de soins directs pour chaque résident en soins de longue durée soit appliqué au budget de rémunération de 2023, comme indiqué par le ministère des Soins de longue durée;

## BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts budgeted for the corresponding period. Year-end forecasts are presented in the second and third quarter reports. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the first quarter operating and capital budget results for City Wide Tax Supported Programs and Rate Supported programs along with providing an overview of any issues or risks that will be monitored during the year and reported in subsequent quarterly reports.

First quarter results for Ottawa Police Services ([Financial Status Report- First Quarter 2023](#)), Ottawa Public Library ([OPLB-2023-059-10.2](#)), Ottawa Public Health (to be tabled on June 19, 2023), and Transit Services ([ACS2023-FCS-FIN-0003](#)) are presented in separate reports to their respective boards.

## **DISCUSSION**

### **First Quarter Year-to-Date Results**

The Q2 Status Report will provide a better indication as to the overall year-end position and will include a forecast to the end of the year.

The Q1 year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2023 budgets on a monthly and quarterly basis established primarily on historic spending patterns. Programs such as winter maintenance and recreational programs (outdoor pools and beaches) have seasonal spending patterns. Other program expenditures or revenues are not seasonal in nature but also may not occur evenly throughout the year. These expenditures are more difficult to allocate to a specific month, or months, so historical spending patterns are used. These types of program costs or revenues may occur at specific periods during the year. For example, a maintenance contract may be expected to be paid by the end of March; therefore, the budget is reflected in March.

A high-level corporate summary of the operating results for each City department, as shown in Document 1, is summarized in Table 1. Table 1 summarizes the Q1 operating results for all City-Wide Tax Supported and Rate Supported service areas. Document 1 shows the first quarter's actual expenditures and revenues compared to the budget for the same period. For reference purposes, the annual budget for the department or program area is provided.

Table 1: 2023 Q1 Operating Results (in thousands of dollars)

Department	1st Quarter		Year-to-Date Net Surplus / (Deficit)				
	Net Budget	Net Actual	COVID	Vaccination Program	COVID Funding	Non COVID	Total
<b>Tax Supported Programs</b>							
Elected Officials	3,483	3,301	0	0	0	181	181
Office of the Auditor General	556	455	0	0	0	101	101
City Clerk and Solicitor	5,004	4,827	0	0	0	178	178
Transit Services	0	0	0	0	0	0	0
Community and Social Services	59,007	58,403	(2,168)	0	1,799	973	604
Public Works	82,024	99,074	(9)	0	9	(17,051)	(17,051)
City Manager's Office	547	593	0	0	0	(46)	(46)
Legal/Service Transformation/PIMR	4,571	5,367	0	0	0	(796)	(796)
Emergency and Protective Services	56,472	55,734	(1,094)	(13)	1,107	738	738
Recreation, Cultural and Facility Services	34,687	34,786	0	0	0	(99)	(99)
Finance and Corporate Services	44,534	43,842	(22)	(341)	313	743	693
Planning, Real Estate and Economic Development	10,617	7,894	0	0	0	2,723	2,723
Infrastructure and Water Services	3,737	3,450	0	0	0	288	288
Non-Departmental All Services	(1,039,831)	(1,039,968)	0	0	0	137	137
<b>Total Tax Supported Programs</b>	<b>(734,591)</b>	<b>(722,242)</b>	<b>(3,293)</b>	<b>(354)</b>	<b>3,228</b>	<b>(11,930)</b>	<b>(12,349)</b>
Water	(17,453)	(17,211)	0	0	0	(242)	(242)
Wastewater	(10,698)	(10,357)	0	0	0	(342)	(342)
Stormwater	(15,859)	(15,292)	0	0	0	(567)	(567)
<b>Total Rate Supported Programs</b>	<b>(44,011)</b>	<b>(42,859)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,151)</b>	<b>(1,151)</b>
<b>Total Tax &amp; Rate Supported Programs</b>	<b>(778,602)</b>	<b>(765,102)</b>	<b>(3,293)</b>	<b>(354)</b>	<b>3,228</b>	<b>(13,081)</b>	<b>(13,500)</b>

The Q1 year to date Tax supported deficit is driven by the January - March Winter season. The total snowfall of 221 cm was significantly higher than the five-year average of 168 cm, the freezing rain hours were 59 per cent higher than the five-year average and there was a 15 per cent increase in the freeze thaw cycles compared to the 5 year average, resulting in higher expenditures related to winter operations such as snow removal. These expenditures were significantly mitigated through savings across all other departments to reduce the overall deficit impact.

The property tax supported component of the City's corporate budget ended Q1 with a deficit of \$12.349 million and the rate supported services (water, sewer, and storm water) ended Q1 with a deficit of \$1.151 million. These results include COVID-19

budget pressures and the costs associated with the COVID-19 Vaccination Program rollout for both the tax and rate supported business areas.

The 2022 Disposition report to Council ([ACS2023-FCS-FSP-0004](#)) summarized the Federal and Provincial funding allocated to the City of Ottawa to address the 2022 COVID-19 pressures. A total \$11.219 million of Provincial COVID-19 recovery funding was carried forward from 2022, of which \$8.969 million is available from the Safe Restart Agreement (SRA) Municipal stream for all of 2023. Furthermore, the Ministry of Health has committed to funding all eligible costs incurred for the COVID-19 Vaccination Program.

The overall tax and rate supported year-to-date deficit for the first quarter is \$13.500 million. This includes \$3.293 million in increased expenditures related to COVID-19 for tax, which is offset by \$2.874 million of SRA and other federal/provincial program funding allocated to date for COVID-19. Total expenditures in Q1 for the COVID-19 Vaccination Program, excluding Ottawa Public Health, is \$354 thousand which is expected to be recovered from Provincial funding from the Ministry of Health.

The total non-COVID-19 deficit for tax supported programs is \$11.930 million and for rate supported programs there is a non-COVID-19 deficit of \$1.151 million.

All departments and service areas were asked to review their first quarter results to ensure that their respective spending and revenue results were not indicative of any underlying issues needing to be highlighted or addressed at this time. Additional information on specific program areas, where there was a significant variance from budget that should be highlighted, is provided in the next section.

### **Highlights of Q1 Results**

#### ***Community and Social Services (CSS) – Surplus of \$604 thousand***

The surplus of \$604 thousand is due to vacancies, lower demand for some benefits in Employment and Social Services, timing of spending in Community Programs. This is offset by higher shelter expenditures.

#### ***Public Works (PW) – Deficit of \$17.051 million***

The Roads winter maintenance deficit of \$13.8 million is a result of increased snow accumulation of 221 cm, which was 31 per cent higher than the five-year average of 168 cm for the period of January to March, increased freezing rain hours, which were 59 per cent higher than the five-year average, and a 15 percent increase in freeze thaw cycles when compared to the five-year average. These severe weather conditions

resulted in significant operational costs associated with maintaining the road, sidewalk and pathway networks. In addition, Solid Waste had a deficit of \$1.759 million due mostly to timing of \$1.1 million of expenses for waste collection and processing contracts and higher fleet expenses of \$0.4 million.

***Legal/Service Transformation/PIMR deficit of \$796 thousand***

The deficit is mainly attributed to Legal services increased arbitration cost and external legal services as a result of the Metro Taxi lawsuit.

***Emergency and Protective Services (EPS) – Surplus of \$738 thousand***

The surplus in EPS is due to higher than anticipated parking fines and business license revenues, and vacancies and lower overtime charges in Fire Services which were offset by higher than anticipated Workplace Safety and Insurance Board (WSIB) costs and overtime costs in the Paramedic Service. Higher facility winter maintenance charges also affected the EPS results.

***Recreation, Cultural and Facility Services (RCFS) – Deficit of \$99 thousand***

The RCFS deficit is mainly due to the shortfall in registration, membership and rental revenue offset by savings in compensation, utilities, and contracted services.

***Finance and Corporate Services (FCS) – Surplus of \$693 thousand***

The surplus in FCS was primarily due to hiring delays and minor revenue increases in the first quarter.

***Planning, Real Estate and Economic Development (PRED) – Surplus of \$2.723 million***

The expenditure surplus in PRED is largely due to gapping from vacancies and purchased services. The revenue surplus is largely due to temporary encroachment revenues, offset with a deficit in Building Permit fees due to volumes lower than expected. The Building Code Services deficit was offset by a contribution from the Building Code Services Stabilization Reserve.

***Infrastructure and Water Services (IWS) – Surplus of \$288 thousand***

The expenditure surplus in IWS is mainly driven by vacancies and recoveries.

***Non-Departmental (ND) - All Services – Surplus of \$137 thousand***

The surplus is a result of higher than anticipated short-term borrowing costs, offset by lower lottery and Red-Light Camera revenues.

***Rate Supported Services – Deficit of \$1.151 million***

Drinking water services' deficit of \$242 thousand is a result of chemical pressures offset with vacancies and increased revenues and cost recoveries.

Wastewater services' deficit of \$342 thousand are due to lower revenues from less usage.

Stormwater services' deficit of \$567 thousand are due to lower revenues as growth estimates were not realized.

**RECOMMENDATION #2: Community and Social Services – Long-Term Care**

The Ministry of Long-Term Care has increased base funding for direct care from registered nurses, registered practical nurses, personal support workers and allied health care professionals for long-term care homes. This is to ensure Ontario's seniors get the quality of care and quality of life they need and deserve both now and in the future. The \$4.4 million in additional funding will be used to offset the increased hours of care provided by the healthcare professionals. This additional funding is expected to continue in future years and therefore staff recommend \$4.4M be added to the compensation operating base budget.

**Q1 Compensation Results**

Document 2 provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q1 versus the full year budget. Overall, the total actual compensation costs for the first quarter were 26 per cent of the full year 2023 compensation budget.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 61 per cent spent. Additional overtime costs were incurred due to COVID-19 and COVID-19 vaccine distribution related support in Community and Social Services, Emergency and Protective Services, and Finance and Corporate Services Departments. Additional overtime cost was also incurred in Public Work's Roads in relation to winter maintenance and Community and Social Services' Long Term Care for legislated increased hours of care.

**Capital Projects and Programs**

Document 3 provides a list of City tax and rate supported capital projects. The list identifies the lead department, category (renewal, growth, or service enhancements), total approved budget authority, expenditures, and contractual obligations as of March 31, 2023. The total for capital works in progress is \$13.582 billion, of which \$2.893 billion is uncommitted to date. Separate Q1 Status Reports will be provided to the Transit Commission and to the Boards of the Ottawa Police Service, Ottawa Public Library and Ottawa Public Health and will include a status on projects that are under their respective mandates.

**Operating Budget Adjustments and Transfers**

A summary of the budget adjustments and transfers made in the first quarter of 2023, either through the delegated authority given to the Chief Financial Officer/Treasurer or through Council-approved reports, is provided in Document 4.

Council policy requires the reporting of these transactions for information purposes.

**FINANCIAL IMPLICATIONS**

The financial implications are outlined in the report.

**LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendations in this report.

**COMMENTS BY THE WARD COUNCILLOR(S)**

This is a citywide report.

**CONSULTATION**

Not applicable.

**ACCESSIBILITY IMPACTS**

There are no accessibility implications associated with this report.

**RISK MANAGEMENT IMPLICATIONS**

There are no risk impediments to implementing the recommendations in this report.

**RURAL IMPLICATIONS**

There are no rural implications associated with this report.



**TERM OF COUNCIL PRIORITIES**

This report supports the City's on-going commitment to financial sustainability and transparency.

**SUPPORTING DOCUMENTATION**

Document 1 – Operating Results Summary March 31, 2023

Document 2 – 2023 Q1 Compensation Summary

Document 3 – 2023 Q1 Capital Works in Progress

Document 4 – 2023 Q1 Operating Budget Adjustments and Transfers

**DISPOSITION**

Staff will implement the report recommendations as outlined in the report.