

Subject: 2024 Tax and Rate Operating and Capital Budget Q2 Status

File Number: ACS2024-FCS-FSP-0014

Report to Finance and Corporate Services Committee on 16 September 2024

and Council 2 October 2024

**Submitted on September 5, 2024 by Cyril Rogers, Interim General Manager and
Chief Financial Officer, Finance and Corporate Services Department**

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Ward: Citywide

**Objet : Rapport d'étape du T2 sur le budget 2024 de fonctionnement et des
immobilisations pour les programmes financés par les recettes
fiscales et les redevances**

Numéro de dossier : ACS2024-FCS-FSP-0014

Rapport présenté au Comité des finances et des services organisationnels

le 16 septembre 2024

et au Conseil le 2 octobre 2024

**Soumis le 5 septembre 2024 par Cyril Rogers, Directeur général et chef des
finances par intérim, Direction générale des finances et des services
organisationnels**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Finance and Corporate Services Committee recommend that Council receive the 2024 Q2 Operating and Capital Status and 2024 Year-end Forecast for information as detailed in Documents 1 to 4.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil ce qui suit prendre connaissance des dépenses de fonctionnement et d'immobilisations du T2 et des prévisions de fin d'exercice 2024, exposées dans les documents 1 à 4.

EXECUTIVE SUMMARY

The purpose of this report is to present the June 30, 2024 (Q2) year-to-date operating and capital results for citywide tax-supported programs and rate-supported programs along with providing a year-end forecast. Included in this report is a summary of the forecasted costs in 2024 for the tax and rate-supported business areas. The Q2 year-to-date results indicate a surplus of \$7.8 million in the tax-supported program areas and a surplus of \$2.6 million in the rate-supported programs, resulting in an overall surplus of \$10.4 million.

The overall year-end forecast for the tax-supported programs is a projected surplus of \$3.6 million and a surplus of \$2.2 million for the rate-supported programs, resulting in an overall expected surplus \$5.8 million.

RÉSUMÉ

Le présent rapport a pour objet de faire connaître les résultats de fonctionnement et d'immobilisations cumulatifs du deuxième trimestre, qui couvrent la période allant du début de l'exercice au 30 juin 2024 (T2), au regard des programmes à l'échelle de la ville financés par les recettes fiscales et de ceux financés par les redevances, ainsi que les prévisions pour la fin de l'exercice. Il comprend en outre un résumé des coûts prévus en 2024 pour les secteurs d'activité financés par les recettes fiscales et les redevances. Les résultats du T2 indiquent un excédent de 7,8 millions de dollars pour les programmes financés par les recettes fiscales et un excédent de 2,6 millions de dollars pour ceux financés par les redevances, pour un excédent global de 10,4 millions de dollars.

Quant aux prévisions pour la fin de l'exercice, on constate un excédent projeté de 3,6 millions de dollars pour les programmes financés par les recettes fiscales et un excédent de 2,2 millions de dollars pour ceux financés par les redevances; l'excédent total prévu s'élevant donc à 5,8 millions de dollars.

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 previously budgeted for in the corresponding period. Year-end forecasts are also presented in the second quarter report. Capital reports provide a listing of the capital projects/programs, the authorized expenditure budgets, actual expenditures, and commitments incurred to date and the remaining amount to be spent.

The purpose of this report is to present the June 30, 2024 (Q2) year-to-date operating and capital results for citywide tax-supported programs and rate-supported programs along with providing a year-end forecast. The second quarter results for the Boards and the Transit Commission are not included with this report and are presented separately to their respective Boards and the Transit Commission. The second quarter results for Ottawa Police Services are anticipated to be reported on September 23 to the Ottawa Police Services Board (Financial Status Report-Second Quarter 2024). The results for Ottawa Public Library will be reported on September 10 to the Ottawa Public Library Board (Second Quarter 2024 Financial Report). The results for Ottawa Public Health will be reported on September 16 to the Board of Health (2024 Operating and Capital Budget Q2 Status Report). The results for Transit Services will be reported on September 12 to the Transit Commission (ACS2024-FCS-FSP-0013).

Document 1 provides operating budget details on year-to-date results for the various departments and branches.

Document 2 provides staff compensation information, showing the actual salary, benefit and the overtime costs incurred by departments and branches for the first six months versus the full year budget.

Document 3 provides a detailed listing of the capital works in progress and their status.

Document 4 provides a listing of the operating budget adjustments and intra-departmental transfers processed under delegated authority.

DISCUSSION

Second Quarter Year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2024 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 June; therefore, the budget is reflected in June.

A high-level corporate summary of the operating results for each City department, as shown in Document 1, is summarized in Tables 1 and 2. Table 1 summarizes the Q2 operating results for all tax and rate-supported service areas. Table 2 summarizes all tax and rate-supported service area’s year-end forecast.

Document 1 shows the second quarter actual expenditures and revenues compared to the budget for the same period and the year-end forecast. For reference purposes, the annual budget for the department or program area is provided.

Table 1: Operating Results as at June 30, 2024 (in thousands of dollars)

	Second Quarter		Year-to-Date Surplus / (Deficit)		
	Net Budget	Net Actual	Expenditure	Revenue	Total
Elected Officials	7,324	7,312	13	-	13
Office of the Auditor General	1,238	1,105	133	-	133
City Clerk	9,671	9,651	178	(157)	20
Rail Construction Program	-	-	-	-	-
Community and Social Services	125,303	123,444	13,230	(11,372)	1,859
City Manager’s Office	2,600	2,600	-	-	-
Legal / Public Information and Media Relations	7,689	7,806	(124)	7	(117)
Emergency and Protective Services	130,048	130,480	(2,604)	2,172	(432)
Recreation, Cultural and Facility Services	79,421	80,642	(1,268)	47	(1,220)
Finance and Corporate Services	97,135	97,523	(1,399)	1,011	(388)
Public Works	164,334	168,561	3,469	(7,696)	(4,226)
Planning, Development and Building Services	6,416	9,672	4,933	(8,189)	(3,256)

	Second Quarter		Year-to-Date Surplus / (Deficit)		
	Net Budget	Net Actual	Expenditure	Revenue	Total
Strategic Initiatives	23,698	22,406	1,193	100	1,292
Infrastructure and Wastewater Services	4,375	4,238	137	-	137
Non-Departmental - All Services	(2,099,642)	(2,113,647)	(17,215)	31,220	14,004
Total Tax Supported Programs	(1,440,389)	(1,448,208)	676	7,143	7,819
Water	38,969	37,181	(129)	1,916	1,787
Wastewater	29,963	29,495	706	(238)	468
Stormwater	20,430	20,117	216	97	313
Total Rate Supported Programs	89,362	86,794	793	1,775	2,568
Total Tax and Rate Supported Programs	(1,351,027)	(1,361,415)	1,469	8,918	10,387

The tax-supported component of the City's budget ended Q2 with a surplus of \$7.8 million mainly due to staffing vacancy savings and investment income growth due to higher interest earnings. Rate-supported services (water, sewer, and stormwater) ended Q2 with a surplus of \$2.6 million driven by staffing vacancy savings and higher consumption revenues. The overall tax and rate supported year-to-date surplus for the second quarter is \$10.4 million.

All departments and service areas reviewed second 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 2023 Q2 Results

Community and Social Services (CSS) – Surplus of \$1.859 million

The surplus in Community and Social Services is driven by temporary vacancies and increased Provincial Level-Of-Care Funding.

Emergency and Protective Services (EPS) – Deficit of \$432 thousand

The deficit is attributed to higher fuel costs, fleet repair and maintenance costs, Workplace Safety and Insurance Board (WSIB) claims. These costs were partially offset by temporary vacancies, deferred spending on materials and services, and reimbursement of one-time costs.

Recreation, Cultural and Facility Services (RCFS) – Deficit of \$1.22 million

The deficit is attributable to higher compensation costs and overspending in facility repairs and maintenance offset by vacancies and increased demand for arena rentals.

Finance and Corporate Services (FCS) – Deficit of \$388 thousand

The deficit is due to increased costs related to IT technology maintenance and support costs.

Public Works (PW) – Deficit of \$4.226 million

The deficit is mainly driven by Traffic Services' deficit of \$5.7 million from the Automated Speed Enforcement (ASE) program's delayed implementation of the Ottawa Processing Centre, the delayed installation of five cameras caused by a service provider's labour interruption, and increased compliance with speed limits. This is partially offset by Solid Waste Services' surplus of \$1.5 million due mostly to higher-than-anticipated revenues from user fees and tipping fees and Roads Services' surplus of \$0.4 millions due to lower expenditures in winter maintenance due to milder first half of the 2024 winter season.

Planning, Development and Building Services (PDBS) – Deficit of \$3.256 million

The deficit is due to reduced revenues from lower volumes in Planning Applications and Building Permits. The Building Code Services deficit was offset by a contribution from the Building Code Services Stabilization Reserve and the Planning Services deficit was partially offset by staffing shortages and financial strategies implemented to mitigate the departmental deficit.

Strategic Initiatives (SI) – Surplus of \$1.292 million

The expenditure surplus is due to vacancies and savings on purchased services. The revenue surplus is driven by provincial revenue for affordable housing.

Non-Departmental (ND) - All Services – Surplus of \$14.004 million

Surplus due to increase in investment income and growth in tax and water billing fees.

Rate-Supported Services – Surplus of \$2.568 million

Water Services: The surplus is due to vacancies, higher than anticipated water permit revenues and higher than anticipated water revenues largely attributed to Tier 4 consumption.

Wastewater Services: The surplus is due to vacancies and fewer development charge

exemptions, offset with lower than anticipated sewer discharge fees. Wastewater revenues are on target.

Stormwater Services: The surplus is due to vacancies offset with lower than anticipated lab testing revenues. The revenue surplus is driven by higher than anticipated stormwater revenues due to account growth.

Table 2: Year-End Forecast (in thousands of dollars)

	Second Quarter	Year-End Forecast Surplus / (Deficit)		
	Net Surplus / (Deficit)	Expenditure	Revenue	Total
Elected Officials	13	-	-	-
Office of the Auditor General	133	200	-	200
City Clerk	20	-	-	-
Rail Construction Program	-	-	-	-
Community and Social Services	1,859	(45,275)	44,990	(285)
City Manager's Office	-	-	-	-
Legal / Public Information and Media Relations	(117)	(780)	-	(780)
Emergency and Protective Services	(432)	(4,342)	2,827	(1,515)
Recreation, Cultural and Facility Services	(1,220)	(1,200)	185	(1,015)
Finance and Corporate Services	(388)	(1,295)	1,375	80
Public Works	(4,226)	(9,017)	5,786	(3,231)
Planning, Development and Building Services	(3,256)	5,397	(11,473)	(6,075)
Strategic Initiatives	1,292	1,115	180	1,295
Infrastructure and Wastewater Services	137	250	-	250
Non-Departmental - All Services	14,004	(18,900)	33,600	14,700
Total Tax Supported Programs	7,819	(73,847)	77,470	3,624
Water	1,787	(1,400)	2,500	1,100
Wastewater	468	700	-	700
Stormwater	313	250	180	430
Total Rate Supported Programs	2,568	(450)	2,680	2,230
Total Tax and Rate Supported Programs	10,387	(74,297)	80,150	5,854

2024 Forecast Highlights – Tax-Supported Services

A tax-supported services surplus of \$3.6 million is projected for 2024. The projected tax-supported services surplus includes the following:

Office of the Auditor General (OAG) – Surplus of \$200 thousand

Forecasted surplus due to vacancies throughout the year.

Community and Social Services (CSS) – Deficit of \$285 thousand

The anticipated deficit is mainly attributed to Children's Services. The deficit is driven by higher staffing costs required to meet legislative staffing ratio requirements and lower than anticipated provincial emerging issues funding intended to support non-discretionary cost increases.

Legal Services (LS)– Deficit of \$780 thousand

Forecasted deficit due to increased legal costs for arbitration.

Emergency and Protective Services (EPS) – Deficit of \$1.515 million

EPS anticipates ending the year with a deficit due to higher fuel costs, fleet repair and maintenance costs, WSIB claims, and overtime costs. These costs will be partially offset by deferred spending on materials and services, and reimbursement of one-time costs.

Public Works (PW) – Deficit of \$3.231 million

The anticipated deficit in Public Works is namely driven by purchased services, materials, fleet maintenance and higher Traffic liability claims. Solid Waste Services' surplus of \$2.0 million is due mostly to the surplus revenues received in the first half of the year and lower vehicle costs partly offset by higher costs to collect and process continued higher levels of organic materials. A deficit in the Automated Speed Enforcement program (ASE) will be offset by a lower contribution to the Road Safety Capital Reserve.

Planning, Development and Building Services (PDBS) – Deficit of \$6.075 million

PDBS forecasted revenue deficit is due to a reduced volume in Planning Applications and Building Permits. Building Code Services forecasted deficit will be offset by a contribution from the Building Code Services Stabilization Reserve and the Planning Services forecasted deficit will be partially offset by staffing shortages and financial strategies implemented to mitigate the departmental deficit.

Infrastructure and Wastewater Services (IWS) – Surplus of \$250 thousand

Projected surplus due to discretionary spending savings and vacancies.

Non-Departmental (ND) - All Services – Surplus of \$14.7 million

Savings due to higher than anticipated investment income, lower financial charges and growth in tax and water billing fees.

2024 Forecast – Rate-Supported Services – Surplus of \$2.23 million

Water Services: Forecasted surplus is due to vacancies and higher than anticipated water permit revenues as well as higher than anticipated water revenues largely due to Tier 4 consumption.

Wastewater Services: Forecasted surplus is due to vacancies and fewer development charge exemptions.

Stormwater Services: Forecasted surplus is due to vacancies and higher than anticipated stormwater revenues from account growth.

2024 Q2 Compensation Results

Document 2 provides staff compensation information showing the actual salary, benefits and overtime costs incurred by departments for Q2 versus the full year budget. The overall total actual compensation costs for the first half of 2024 were 52 per cent of the full year 2024 compensation budget which is considered normal. Actual overtime costs as a percentage of the annual budget are 69 per cent spent. Additional overtime costs were incurred due to higher LTC occupancy rates and costs related to meet Level of Care (LOC) requirements that are funded by the Province. Additional overtime costs were also incurred to meet higher demand for shelters, services under the Homelessness Prevention Plan (HPP), and social housing that are also funded by the Province. EPS also experienced higher overtime costs supporting Community Paramedicine, one-time events, and funded programs. PW experienced increased overtime costs within Solid Waste services to meet service level requirements.

Capital Projects and Programs

Document 3 provides a list of citywide tax and rate-supported capital projects. The list identifies the lead department, ward, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$13.9 billion, of which \$3.0 billion is uncommitted to date. Separate Q2 Status Reports are provided to the Transit Commission and to the Boards of the Ottawa Police Service, Ottawa Public Library and Ottawa Public Health, and 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 second quarter of 2024, through the delegated authority given to the Chief Financial Officer/City Treasurer are presented in document 4. Document 4 also summarizes the intra-department budget adjustments and transfers and the adjustments made that have changed the

overall expenditure which are funded from external revenues.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

LEGAL IMPLICATIONS

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

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs, and initiatives. This report is administrative in nature and has no associated accessibility impacts.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegated authority was exercised as set out under the Delegation of Authority by-law 2024-265 regarding the transfer of operating funds. The transfer of operating funds exceeding \$200 thousand, shall be reported to the Finance and Corporate Services Committee and City Council and is presented in Document 4.

TERM OF COUNCIL PRIORITIES

This report supports the current 2023-2026 Term of Council Priorities as well as the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – Operating Results as at June 30, 2024

Document 2 – Compensation Summary as at June 30, 2024

Document 3 – 2024 Q2 Capital Works-In-Progress

Document 4 – Q2 Operating Budget Adjustments and Transfers

DISPOSITION

There are no disposition requirements as this is an administrative report.