

Subject: 2022 Tax and Rate Operating and Capital Budget Q1 Status

File Number: ACS2022-FSD-FSP-0008

Report to Finance and Economic Development Committee on 7 June 2022

and Council 22 June 2022

Submitted on May 27, 2022 by Cyril Rogers, Deputy City Treasurer (A), Financial Strategies, Planning and Client Services

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Ward: Citywide

Objet : Rapport d'étape du T1 sur le budget 2022 de fonctionnement et des immobilisations pour les programmes financés par les recettes fiscales et les redevances

Dossier : ACS2022-FSD-FSP-0008

Rapport au Comité des finances et du développement économique

le 7 juin 2022

et au Conseil le 22 juin 2022

Soumis le 27 mai 2022 par Cyril Rogers, Trésorier municipal adjoint (T), Les services financiers, la planification financière et la budgétisation et les stratégies financières

Personne ressource : Nouny Munelith, Gestionnaire de Programme (T), Planification et Budgétisation, Direction générale des services des finances

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

1. Receive this report and Documents 1 to 4 for information;
2. Approve the \$4.9 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 2022 compensation budget as outlined by the Ministry of Long-Term Care; and
3. Approve the \$472.5 thousand of increased base funding received from the Ministry of Health for the Ottawa Central Ambulance Communications Centre be applied to the 2022 budget; including an increase of one FTE in Paramedic Services as outlined by the Ministry of Health.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique 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 4,9 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 2022, comme indiqué par le ministère des Soins de longue durée;
3. d'approuver le financement de base accru de 472,5 milliers de dollars reçu du ministère de la Santé pour le Centre intégré de répartition d'ambulances d'Ottawa à appliquer au budget de 2022, y compris une augmentation d'un ETP dans le Service paramédic, comme indiqué par le ministère de la Santé.

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 2022](#)), Ottawa Public Library ([OPLB-2022-0505](#)), Ottawa Public Health (to be tabled on June 20, 2022), and Transit Services ([ACS2022-FSD-FSP-0007](#)) are presented in separate reports to their respective boards.

DISCUSSION

First Quarter Year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2022 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: 2022 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*
Tax Supported Programs							
Elected Officials	3,375	3,246	0	0	0	129	129
Office of the Auditor General	479	444	0	0	0	36	36
City Clerk and Solicitor	5,349	5,282	(35)	(20)	0	122	67
Transportation Services	0	0	0	0	0	0	0
Community and Social Services	56,881	52,648	(12,120)	0	11,911	4,442	4,233
Public Works	78,471	71,923	(1,750)	0	1,630	6,668	6,548
City Manager's Office	528	524	0	0	0	3	3
Emergency and Protective Services	55,646	55,847	(4,136)	(376)	3,072	1,238	(202)
Recreation, Cultural and Facility Services	33,491	34,672	(1,322)	(719)	971	(111)	(1,181)
Finance Services	7,603	7,147	0	(5)	6	455	456
Planning, Real Estate and Economic Development	10,679	9,107	0	0	0	1,572	1,572
Innovative Client Services	38,404	36,227	(6,622)	(491)	662	8,627	2,176
Infrastructure and Water Services	3,570	2,773	0	0	0	797	797
Non-Departmental All Services	(996,585)	(995,064)	(943)	0	0	(579)	(1,522)
Total Tax Supported Programs	(702,112)	(715,224)	(26,928)	(1,611)	18,252	23,399	13,113
Water	(19,147)	(17,069)	(4)	0	4	(2,078)	(2,078)
Wastewater	(14,886)	(11,851)	(8)	0	8	(3,035)	(3,035)
Stormwater	(14,279)	(13,986)	(2)	0	2	(293)	(293)
Total Rate Supported Programs	(48,312)	(42,907)	(14)	0	14	(5,406)	(5,406)
Total Tax & Rate Supported Programs	(750,424)	(758,131)	(26,942)	(1,611)	18,266	17,993	7,707

• Some totals rounded..

The property tax supported component of the City's corporate budget ended Q1 with a surplus of \$13.113 million and the rate supported services (water, sewer, and storm water) ended Q1 with a deficit of \$5.406 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 2021 Disposition report to Council ([ACS2022-FSD-FIN-0003](#)) summarized the Federal and Provincial funding allocated to the City of Ottawa to address the 2022

COVID-19 pressures. A total \$40.806 million of Provincial COVID-19 recovery funding was carried forward from 2021, of which \$24.912 million is available from the Safe Restart Agreement (SRA) Municipal stream for all of 2022 and \$13.593 million from the Social Services Relief Fund (SSRF) to June 30th, 2022, which was recently updated from March 31st, 2022. To date, \$9.433 million of SSRF funding has been applied. In addition, \$1.804 million for Housing and \$4.752 million for Paramedic Services of provincial funding has been received. Further, the Ministry of Health has committed to funding all eligible costs incurred for the COVID-19 Vaccination Program.

On January 28th, 2022, several hundred trucks and thousands of demonstrators occupied the streets of downtown Ottawa to protest the elimination of all COVID-19 mandates. This protest caused significant disruption and increased the pressure on various City services such as Roads, Traffic, Paramedic Services, By-Law Services, and Fire Services to name a few; until protesters and vehicles were cleared out of the downtown core by late February. The total expenditure impact of the convoy occupation for Q1 not including Ottawa Police Services and Transit Services is approximately \$1.7 million. The City is actively seeking upper levels of government funding for reimbursement. Continued tracking of post-protest costs such as infrastructure repair will take place in Q2.

The overall tax and rate supported year-to-date surplus for the first quarter is \$7.707 million. This includes \$26.928 million in increased expenditures related to COVID-19 for tax and \$14 thousand for rate, which is offset by \$18.266 million of SRA, SSRF 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 \$1.611 million which is expected to be recovered from Provincial funding from the Ministry of Health.

The total non-COVID-19 surplus for tax supported programs is \$23.399 million and for rate supported programs there is a non-COVID-19 deficit of \$5.406 million.

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.

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 Department (CSSD) – Surplus of \$4.233 million

The surplus of \$4.2 million is due to temporary vacancies, lower demand for some benefits in Employment and Social Services, timing of spending in Housing Services and one-time adjustment for 2021 from the Province in Long-Term Care Services.

Public Works Department (PWD) – Surplus of \$6.548 million

The Solid Waste surplus of \$2.7 million is mainly due to increased recycling revenues due to high commodity prices and timing on lower processing costs for recyclables and green bin contents. The Roads surplus of \$2.5 million is primarily due to the lower cost of \$2.2 million in winter maintenance expenditures due to reduced snow removal costs and less salt usage because of below average snowfall/freezing rain events and higher revenues of \$0.6 million from the Rideau River Flood Control program (RVCA) and from advertising. Partially mitigating these surpluses is a deficit of \$572 thousand related to the convoy occupation. Traffic Services has a surplus of \$838 thousand due to higher revenues from automated speed enforcement (ASE) cameras, lower costs due to the timing of ASE expenses and due to vacancies. Forestry Services' surplus of \$827 thousand is due to reduced tree maintenance requirements and higher Tree Permit revenues. The surplus in Parking Services of \$625 thousand is due to reduced maintenance requirements in various City parking lots and the COVID-19 related revenue shortfall of \$1.5 million was offset by an equal amount of provincial funding. The deficit in Parks of \$440 thousand is due to higher costs for Fleet maintenance and leasing. The deficits in Technical Operations Support Service of \$262 thousand and in Business and Technical Support Services of \$219 thousand are due to timing of compensation charges.

Emergency and Protective Services Department (EPSD) – Deficit of \$202 thousand

The deficit in EPSD is driven by higher than anticipated materials and services costs, such as fleet repair and maintenance charges, winter facility maintenance, uniform cleaning partially offset by compensation savings such as vacant positions and lower than expected Workplace Safety and Insurance Board (WSIB) administration fees in Fire Services. In Paramedic Services additional expenditures to respond to the convoy occupation and a revenue deficit in Land Ambulance Services due to provincial revenue not yet confirmed contribute to the deficit. The EPSD deficit is partially offset by savings in Public Safety Services and General Manager's office as a result of vacancies and deferred purchases.

Recreation, Cultural and Facility Services (RCFS) – Deficit of \$1.181 million

The RCFS deficit is mainly driven by COVID-19 facility closures early in the year and reduced programming once the restrictions were lifted in late February of 2022.

Finance Services Department (FSD) – Surplus of \$456 thousand

The surplus in FSD was mainly driven by vacancies across a few service areas and higher than expected revenue from fees.

Planning, Real Estate and Economic Development (PRED) – Surplus of \$1.572 million

The surplus in PRED is due to vacancies and capital recoveries. The revenue shortfall in Building Permit revenues is offset by a contribution from the Building Code Services Revenue Stabilization Reserve.

Innovative Client Services Department (ICSD) – Surplus of \$2.176 million

The surplus in ICSD is due to vacancies across the department and higher than expected payment card revenues. In addition, there are lower than expected expenditures due to reduced level of service in the provincial courts because of COVID-19 measures which lowered the costs to process parking fines and tickets.

Infrastructure and Water Services Department (IWSD) – Surplus of \$797 thousand

The surplus in IWSD is mainly driven by vacancies and recoveries.

Non-Departmental (ND) - All Services – Deficit of \$1.522 million

As a result of COVID-19, the deficit is primarily due to lower-than-expected revenues from Red Light Camera tickets, lottery revenues, payment-in-lieu of taxes (PILT) revenue, and higher than anticipated tax rebates and remissions. This deficit is partially offset by higher than projected sales of surplus land revenues.

Rate Supported Services – Deficit of \$5.405 million

As a result of COVID-19, there is an increase in residents staying and working from home. The water and sewer bill revenue deficit are driven by lower than budgeted consumption and a shift in consumption from the higher tier 4 rate that mainly consists of industrial, commercial, and institutional (ICI) properties to the lower tier 2 rate, consisting of residential properties. The shift in revenue is due to COVID-19 and staff will continue to track revenue for rate services to the end of the year to identify impacts due to COVID-19 and seek to include this pressure as a COVID-19 funding recovery item.

Sanitary Services experienced an increase in expenditures due to increased sewer and catch basin maintenance which was partially offset by Drinking Water Services' savings in compensation due to vacancies.

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 total funding allocation for the City of Ottawa is \$6.2 million for 2022 of which \$1.3 million was included in the 2022 budget. The \$4.9 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 2023 and therefore staff recommend \$4.9M be added to the operating base budget.

RECOMMENDATION #3: Emergency and Protective Services – Paramedic Services

The Ministry of Health increased funding to The City of Ottawa for the Ottawa Central Ambulance Communications Centre of up to \$472.5 thousand in base funding and up to \$200 thousand in one-time funding for the 2021-22 funding year. This brings the total maximum funding available under the Agreement for the 2021-22 funding year up to \$12.6 million to support an increase in operating costs which includes an increase of one FTE in Paramedic Services. This additional funding is expected to continue in 2023 and therefore staff recommend that \$472.5 thousand be added to the 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 percent of the full year 2022 compensation budget.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 57 percent 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, Finance Services, and Innovative Client Services Department. Additional overtime cost was also incurred in Public Work's Roads and Traffic Services which was caused by the convoy occupation.

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, 2022. The total for capital works in progress is \$12.757 billion, of which \$2.375 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 2022, 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, 2022

Document 2 – 2022 Q1 Compensation Summary

Document 3 – 2022 Q1 Capital Works in Progress

Document 4 – 2022 Q1 Operating Budget Adjustments and Transfers

DISPOSITION

Staff will implement the recommendations as outlined in the report.