
REPORT TITLE: **2023 Operating Financial Interim Performance Report – May 31, 2023**

FROM: Patricia Caza, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the 2023 Housing Support gross expenditures and revenues be increased by \$8,773,500 as a result of the additional Homelessness Prevention Program funding with no net impact to the Region

REPORT HIGHLIGHTS

- Regional Council approved the 2023 Operating Budget of \$3.1 billion to enable the Region of Peel to continue delivering services and meet the service needs of the residents, taxpayers, and the service demands of a growing community.
 - Regionally Controlled Tax Supported Programs project a surplus of \$12.5 million.
 - Staff recommends that the 2023 Housing Support gross expenditures and revenues be increased by \$8,773,500 with no net impact to the Region.
 - Utility Rate supported services are projected to end the year within the budget accuracy target of plus or minus three per cent as at May 31, 2023.
 - Projected year end results are based on actions that are consistent with the principles approved by Council to maintain Regional services through the transition period
 - A companion capital interim performance report as at May 31, 2023 will be provided to Regional Council to provide analytics on the capital program.
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DISCUSSION

1. Background

The Budget Policy requires that staff report the status of operating and capital services at a minimum of twice a year to manage financial performance to ensure the long-term financial sustainability of Regional services. This report provides the first forecasted year-end financial position of the Operating Budget based on the information and financial results as of May 31, 2023.

a) 2023 Operating Budget

The approved 2023 Operating Budget of \$3.1 billion includes \$0.6 billion to the Regionally Financed External Organizations: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities. The budget provides the Region with the funding to support community needs through services.

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The Region’s operating budget is developed based on the best information available during budget preparation. Budget assumptions are modeled and projected for drivers such as social assistance caseload, 9-1-1 call volumes, winter events and water consumption. Risks are identified and mitigated where reasonably possible, including the use of rate stabilization reserves to address volatility in weather conditions, economic cycles, and one-time initiatives or to minimize the impact on the Tax and Utility ratepayers.

2. Operating Results

The Region’s operating performance includes Tax Supported Services, both Regionally Controlled and Regionally Financed External Organizations, and Utility Rate Supported Services. Overall, the Region anticipates an overall surplus of \$12.7 million including Utility Rate Supported services, Water and Wastewater, which are projected to be on budget.

Appendix I provides a summary of the projected year-end position by service.

a) Tax Supported Services

As outlined in Table 1 below, Tax Supported Services are forecasting a surplus of \$12.7 million by year-end, representing a variance of 0.7 per cent of the Tax Supported total net budget, which is within Peel’s budget accuracy target of plus or minus 3 per cent. Regionally Controlled Tax Services are forecasting a surplus of \$12.5 million and Regionally Financed External Agencies are forecasting a \$0.2 million surplus driven by the Municipal Property Assessment Corporation’s (MPAC) projection of lower-than-expected growth in Peel.

Table 1: Projected Variances for Tax Supported Services

| | Net Revised Budget | Year-End Projection | Projected Year-End Surplus/ (Deficit) | Variance to Net Budget |
|--|--------------------|---------------------|---------------------------------------|------------------------|
| | \$ (Millions) | | | |
| Regionally Controlled Services | \$728.0 | \$715.4 | \$12.5 | 1.0 % |
| Regionally Financed External Organizations | \$595.6 | \$595.4 | \$0.2 | 0.0 % |
| Total | \$1,323.6 | \$1,310.9 | \$12.7 | 0.7 % |

Additional Provincial Funding of \$8.8 million Received

On March 24, 2023, Housing Support received additional funding of \$8,773,500 from the Ministry of Municipal Affairs and Housing for the Homelessness Prevention Program (HPP). This funding will help address increasing pressures in the emergency shelter sector including the complex needs of those experiencing homelessness and shelter capacity issues. Staff propose to use the \$8.8 million in incremental funding to increase expenditures in Housing Support in the same amount. This would result in no net impact on the projected financial results.

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In addition to the provincial funding received, the following highlights key drivers of the projected budget variances for Regionally Controlled Tax Supported Services based on the information available at the time of the writing of this report.

a) Post Pandemic Recovery Outcomes

- Projected surplus of \$3.4 million in Transportation due to continuing lower trip demand since the beginning of the pandemic.
- Projected surplus of \$1.0 million in Business Services due to an on-going transition to post-pandemic operations.

b) Increased Pressures on Housing Support

- Projected deficit of \$3.1 million in Housing Support due to additional spending for the Ukraine Refugee initiative
- Projected \$1.0 million surplus in Housing Support due to the My Home 2nd Units program resulting from the program redesign as recommended through the service level review.

c) Economic Pressures

- Projected surplus of \$3.6 million in Waste Management due to higher payments from Blue Box producers.
- Projected deficit of \$2.6 million in Waste Management due to an unanticipated reconciliation of Cap and Trade and Federal Carbon Charge Compensation with a vendor.
- Projected surplus of \$1.4 million in Waste Management due to lower collection cost from lower tonnage.
- Projected deficit of \$1.1 million in Waste Management due to higher processing and disposal cost resulting from a postponement of the new processing contract.

d) Lower than Budgeted Caseloads

- Projected surplus of \$2.0 million in Income Support due to staffing vacancies as fewer staff were needed to manage the lower overall caseload.

e) Transitional Changes

- Public Health projected surplus of \$4.3 million is mostly due to challenges of retaining and recruiting staff as the market is extremely competitive and Public Health is transitioning back to delivering mandated services.
- Projected surplus of \$2.1 million in Early Years and Child Care due to the continuing ramp up of the program causing temporary underspending in administration and staffing.

Staff will continue to monitor the key drivers listed above and take actions to manage and mitigate potential risks where necessary for the remainder of the 2023 fiscal year.

Appendix II provides a summary of key drivers of the year-end variances by service for Tax Supported Services.

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b) Utility Rate Supported Services

As outlined in Table 2 below, Utility Rate Supported Services are forecasting to be on budget at year-end recognizing that that the weather over the summer and fall may result in variances relative to the Utility Rate net budget of \$531.2 million.

Appendix II provides a summary of the key drivers for Water and Wastewater.

Table 2: Projected Variances for Utility Rate Supported Services

| Services | Net Budget | Year-End Projection | Projected Surplus/ (Deficit) | Variance to Net Budget |
|---|-------------|---------------------|------------------------------|------------------------|
| | (Millions) | | | |
| Water/Wastewater Net Expenditures before Billings | \$531.2 | \$531.2 | \$ - | 0.0 % |
| Peel Direct Billings | \$488.2 | \$488.2 | \$ - | 0.0 % |
| Other Recoveries / Surcharges | \$43.0 | \$43.0 | \$ - | 0.0 % |
| Total | \$ - | \$ - | \$ - | 0.0 % |

3. 2024 Outlook

Staff anticipate that services will continue their steady return to a more normal service delivery with gradually less impacts from COVID-19. The pace at which this will occur will greatly depend on staff capacity and their ability to meet current service delivery demands while simultaneously catching up on their backlogged work due to the pandemic.

Residual COVID-19 related costs will have no net impact on the net tax levy increase or utility rate increase as any costs will be funded from reserves established from surpluses or broader municipal COVID funding over the past three years.

Key variables for the 2024 -2027 Business Plan and 2024 Budget will include the effects of the current economic uncertainty resulting from heightened geopolitical tensions, higher prices, rising interest rates, increased recession risks and increased demand for support services.

As presented through the June 22, 2023 report of the Chief Financial Officer and Commissioner of Corporate Services titled “Approach to the Development of the 2024 Budget”, no budget targets have been set for 2024 given the current economic environment.

4. 2023 Capital Performance

A companion report titled, “2023 Capital Financial Interim Performance Report – May 31, 2023” is listed on the June 22, 2023 Regional Council agenda. The goal is to provide additional information and analyses of the Region’s capital program to support Regional Council in making better informed decisions on the capital program.

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BILL 112 RISKS AND IMPLICATIONS

On June 8, 2023, the *Hazel McCallion Act* (Bill 112), received royal assent. At the time of writing this report, the Ministry of Municipal Affairs and Housing was developing the Terms of Reference and in the process of appointing the Transition Board.

Under Bill 112, recognizing that no details have been provided yet, the Transition Board, once in place, will ensure that transactions and/or decisions after May 18, 2023, are done in the public interest having regard to the municipal restructuring, and are done in a manner that does not unreasonably impact another municipality.

On June 8, 2023, Regional Council approved principles to maintain Regional services through the transition period and prepare for the 2024 Budget, as outlined in the Council report from the Chief Administrative Officer titled, “Bill 112 – Managing Through the Transition”. The forecasted financial results outlined in the 2023 Operating Financial Interim Performance Report have been made in alignment with these approved principles.

For the purposes of the 2024 Outlook and Budget, staff will continue to develop strategies to ensure that the budget remains flexible to mitigate any risks involved with an uncertain external environment and adapt to any subsequent direction provided by Council or the Province related to Bill 112.

CONCLUSION

The Region will continue to monitor the impact of key drivers on services and funding opportunities from senior levels of government whilst actively looking for opportunities to reduce spending with minimal risk to service levels. These actions, including active monitoring of inflation, will be taken into consideration including alignment to the principles to maintain Regional Services through the transition period and subsequent direction related to Bill 112.

APPENDICES

Appendix I - 2023 Projected Operating Year-End Position by Service
Appendix II - Drivers of Year-End Variance to 2023 Budget



Patricia Caza, Chief Financial Officer and Commissioner of Corporate Services

Authored By: Norman Lum, Director of Business and Financial Planning