



## Council Report

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**Report Number:** CORP2022-008  
**Meeting Date:** June 21, 2022  
**Title:** **2021 Audited Financial Statement and 2021 Surplus Disposition Report**  
**Description:** 2021 Audit Results  
**Author and Title:** Carolyn Daynes, CPA, CA, Treasurer

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### Recommendation(s):

**That** Report CORP2022-008, **2021 Audited Financial Statement and 2021 Surplus Disposition Report**, be received;

**That** the financial statements for 2021 be approved as circulated; and

**That** Council authorize the transfer of the 2021 Surplus as follows:

- The Fleet department surplus of \$272,722 be transferred to a newly created Fleet Maintenance Reserve and Council approve the creation of that reserve; and
- A portion of the Victoria Manor surplus of \$500,000 be transferred to the General Contingency Reserve, committed to Victoria Manor, for a Facility Master Plan; and
- That \$1,000,000 be transferred to the General Contingency reserve, committed to the Empower (Pandemic Recovery) program; and
- That \$1,000,000 be transferred to the Capital Contingency Reserve, to replenish this reserve; and
- That \$1,000,000 be transferred from the General Contingency Reserve committed to Winter Control and moved to the Public Works Fleet Reserve in order to purchase brushing and ditching equipment; and
- That the remainder of the 2021 Surplus of \$4,295,130 be transferred to the Asset Management Reserve for future capital.

**That** Council approve the increase in staffing for paramedics for 2 Primary Care Paramedics, and 2 Advanced Care Paramedics to be funded by available pandemic funding and/or the 2022 operating surplus, if needed.

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

## Background:

This report provides Council with an update on the final 2021 financial position. The audited financial statements are included in this report as Attachment A. The 2021 year-end and the final (Surplus) Deficit position is as follows:

	<b>(Surplus)Deficit</b>	<b>Transfer to Reserve</b>	<b>(Surplus) Deficit</b>
General Rated Tax (Surplus)	\$ (7,067,852)	\$ -	\$ (7,067,852)
Area Rated Tax (Surplus) Deficit	\$ (608,900)	\$ 624,034	\$ 15,134
Water and Sewer (Surplus)	\$ (913,405)	\$ 913,405	\$ -
KLHHC (Surplus)	\$ (65,652)	\$ -	\$ (65,652)
<b>Overall (Surplus) Deficit</b>	<b>\$ (8,655,809)</b>	<b>\$ 1,537,439</b>	<b>\$ (7,118,370)</b>

The City, prior to reserve transfers, has a 2021 surplus of \$8,655,809. The COVID19 pandemic has continued to effect revenue and expenses into 2021. Reasons for the surplus include government grant funding to offset covid effects, lower training expenses, staff vacancies, increased recycling revenue, increased tipping fees in waste management and reduced utility, training, office and mileage expenses.

The 2021 surplus can be compared to a surplus in the 2020 year-end of \$6,232,170. The surplus, in the case of Area rates and Water and Sewer, is dealt with prior to year-end and reserve transfers are made to the various reserves, prior to audit. The majority of the remaining deficit in the Area Rate will be raised in Tax Levy in 2022. Council resolved, in prior years, that surpluses in Area Rate and Water and Wastewater will be transferred to reserves and any deficits will be funded from these same reserves.

Council has since approved transfers for overall Library operating surplus, Winter control surplus, Worker's Compensation payment surplus and Building Department surplus to be put away in reserves to offset deficits in future years. The following areas had surplus amounts that were transferred to various reserves prior to the 2021 year-end completion and therefore not included in the surplus amount above.

<b>Department Area</b>	<b>Reserve Transfer</b>	<b>Reserve Balance</b>
Library Operating	\$ 254,439	\$ 980,621
Winter Control	\$ 2,131,473	\$ 3,131,473
Building Department	\$ 1,593,842	\$ 1,492,386

### **Library Operating:**

The Library Department finished 2021 with a surplus of \$254,439 which has been transferred to the Council created Library Reserve. The reason for the surplus was primarily due to reduced wages, given the lockdowns experienced in 2021.

### **Winter Control:**

Winter Control expenditures were \$2,131,473 under budget for the 2021 winter season. The winter season was lighter than usual, with a shorter season ending in the beginning of March 2021 and a slightly later start in November. For example, the winter season averaged 1.0 event in April as compared to 5 events for April 2018. The average overall for the winter season was 6.35 events compared to 8.16 events in 2018. It should be noted that the payroll benefits were included in the 2021 winter control budget but were not included in the 2021 actuals. If this was corrected the estimated surplus would have only been approximately \$1,661,000.

### **Building Department:**

The building department's Building Permit Revenue created the surplus of over \$1.5 Million. This line item was included in the budget at \$1,650,000 and by the end of 2021 over \$3 Million in building permit revenue had been received. Prior to 2021 the Building Permit Revenue received was approximately \$1.2 Million per year.

### **Rationale:**

#### **General Rated Tax Surplus:**

The net surplus of \$7,067,852 was primarily attributable to pandemic grants as well as reduced revenue offset by reduced expenditures. The surplus can be attributed to the following areas in the City's budget:

<b>Description</b>	<b>Budget 2021</b>	<b>Actual 2021</b>	<b>(Surplus)Deficit Variance</b>
Tipping Fees	\$ (2,721,019)	\$ (3,197,082)	\$ (476,063)
Recyclable Material Revenue	(180,000)	(1,064,470)	(884,470)
Penalties and Interest on Taxes	(1,265,000)	(1,641,023)	(376,023)
Overall Training	795,597	402,178	(393,419)
Overall Utilities	3,713,119	3,003,405	(709,714)
Computer Software Maintenance	1,778,000	1,499,332	(278,668)
Wage Gapping over \$750,000	52,751,438	51,434,360	(1,317,078)
POA Court Related Fees	793,000	441,128	(351,872)
Office Supplies, Postage, Photocopy	839,025	646,462	(192,563)
Mileage, Per Diems, Meals	230,830	105,436	(125,394)
Snow plow Contracts (Non-Roads Related)	668,526	506,168	(162,358)
Overall Victoria Manor	2,382,847	803,233	(1,579,614)
Miscellaneous	-	(220,616)	(220,616)
<b>Total Surplus</b>	<b>\$ 59,786,363</b>	<b>\$ 52,718,511</b>	<b>\$ (7,067,852)</b>

### **Tipping Fee Revenue**

Tipping Fee Revenue has been gradually increasing each year. In the 2021 year there was approximately \$3.2 Million received compared to a 5-year average prior to that of \$2.6 Million. The largest increase over budget could be seen in the Lindsay landfill. This could be a reflection of the pandemic given that people have been home more and doing more home renovations or clean-outs.

## **Recyclable Material Revenue**

The City has a contract with GFL which consolidates our recyclable material and sells it in the North American market as a raw product for industries. The price of recyclables rises and falls to meet demand and in late 2020 and all of 2021 there was a worldwide shortage of fibres and plastics which resulted in increased prices for this product. The revenue realized was almost \$900,000 over budget. This contract will end in 2024 due to the new Blue Box Regulation under the Resource Recovery and Circular Economy Act, 2016, which establishes new producer responsibility requirements for the collection, recycling and reuse of blue box materials.

## **Penalties and Interest on Taxes**

Since the pandemic started the arrears for taxes has increased. As arrears increase so does the penalties and interest on the arrears. This has caused an overage of over \$350,000 of this line item in 2021. Council approved a three-month forgiveness on interest and penalties from April to June 2020. In addition, collection efforts for tax arrears were suspended until 2022. The following gives a history of the outstanding tax receivable since 2017, total tax revenue billed for the year and the ratio of tax arrears to total tax revenue billed. A ratio below 10% is low risk, as per the Ministry financial indicator review.

<b>Year</b>	<b>Tax Arrears</b>	<b>Tax Revenue</b>	<b>Ratio</b>
2021	\$12,087,492	\$146,970,712	8.22%
2020	\$10,196,490	\$144,559,654	7.05%
2019	\$ 5,579,837	\$140,090,599	3.98%
2018	\$ 4,893,273	\$135,125,606	3.62%
2017	\$ 4,707,683	\$130,575,068	3.61%

## **Overall Training**

Training expenditures continue to be lower than budget due to the pandemic. Throughout 2021 the training remained virtual and conferences are only starting to open up to in-person attendance in 2022. The cost of the conference was still incurred but there was reduced costs for travel and accommodation. The actual training expenses in 2021 were up from 2020 by approximately \$100,000 but down from 2019 by approximately \$330,000.

## **Overall Utilities**

City buildings continued to be closed during lockdowns throughout 2021. It is rational to assume that the utilities incurred in these buildings would therefore be decreased as well. In addition, the Provincial government reductions in hydro rates would have attributed further to the under-expenditure. Total utility expenses were approximately \$330,000 under budget for 2021. The total expense of \$3.4 Million was higher than the 2020 expense of \$3 Million.

## **Information Technology Computer Software Maintenance**

In 2020 this line item was over budget and it was found that some of those items that should have been attributed to 2021 were expensed in 2020. This has caused the 2021 expense line to be under budget as an effort was made to ensure that all prepaid expenditures that related to 2022 were set up in prepaid. The 2022 computer software maintenance expense should be much more in line with budget.

## **Wage Gapping over \$750,000**

The 2021 budget includes an allowance for wage gapping of \$750,000. The variance of \$1.3 Million is over and above this amount. It is reasonable to assume in any budget that there will be vacancies at various periods throughout the year. However, the vacancies are becoming harder to fill due to all companies, during this time, offering work from home opportunities and therefore an even bigger market for employees seeking employment. The Human Resources department has worked hard to recruit various positions with little success. This is part of the restructuring of the Human Resources department as well as part of the empower project that is now underway in the City.

## **POA Court Related Fees**

POA revenue was considerably under budget for both 2020 and 2021 due to the pandemic. These amounts were factored into the pandemic grant that was recorded in 2021. The expenses related to court activities and payments to other municipalities were under budget as well due to lockdowns and reduced revenue.

## **Office Supplies, Postage and Photocopy**

The reduced number of employees in the office has led to a reduction in these office type expenses. The pandemic has resulted in less printing due to staff being home. As well technology has allowed the City to keep postage expenses down by the use of e-commerce and e-post.

### **Mileage, Per Diems, Meals**

The use of zoom has allowed for in-person meetings without the cost of mileage or meals when staff are travelling. And the lack of external training has also led to a further reduction in this area.

### **Snow plow Contracts (Non-Roads Related)**

Winter control for roads was significantly under budget this year and the lighter winter can be illustrated in the plowing of various locations outside of roads. This would include arena, community halls, office buildings and parking lots.

### **Overall Victoria Manor**

Victoria Manor did not include significant pandemic grants in their 2021 budget due to the uncertainty around whether or not they would be available. The budget team did express concern at the time of the 2021 budget due to the \$800,000 increase in budget for the Manor from 2020. After much discussion, it was agreed that they would not be included in the budget. By the end of 2021 the pandemic grants continued to flow for staffing and client needs and this resulted in a surplus of over \$1.5 Million.

### **Area Rated Surplus:**

The area rated surplus of \$608,900 can be broken down further into the various area rates. It should be noted that Staff have already transferred any 2021 surplus positions to reserves and funded any deficit positions if there were funds in that portion of the Area Rate Stabilization Reserve. In 2016, Council approved this annual reconciliation through the following resolution:

CR2016-164

On a go forward basis, Council support transferring surplus from area-rated services into an area-rated service rate stabilization/contingency reserve to be used to offset any future deficits and/or for other purposes specific to that future services area.

The area rate overall (surplus) deficit and reserve treatment are as follows:

<b>Area Rate</b>	<b>Initial (Surplus) Deficit</b>	<b>To/(From) Reserve</b>	<b>Remaining (Surplus) Deficit</b>
Fire Area A	\$ 33,994	\$ (33,994)	\$ -
Fire Area C	(374,447)	365,211	(9,326)
Lindsay Parks	76,683	(52,313)	24,370
Ontario Provincial Police	(990)	990	-
Kawartha Lakes Police Area	(250,458)	250,458	-
Street lighting Area	(93,682)	96,682	-
Transit Area	-	-	-
<b>Total (Surplus) Deficit</b>	<b>\$ 608,900</b>	<b>\$ 624,034</b>	<b>\$ 15,134</b>

### **Fire Area A**

The primary reason for the deficit in Area A was the cost of repairs on fire vehicles that had complete breakdowns.

### **Fire Area C**

The primary reason for the surplus in Area C was due to volunteer fire fighter wages being below budget by approximately \$295,000. This area is primarily volunteer based so there would have been reduced training in 2021 due to the pandemic. In addition, there were fewer fires than anticipated. Finally, there was higher revenue collected from motor vehicle accident (MVA) claims. This line item is hard to predict and they had predicted for a lower amount based on 2020 revenue realized.

### **Lindsay Parks**

Lindsay Parks were over budget due to the opening of Logie Park and the expenses incurred in that park. In addition, programming revenue was reduced in Lindsay parks for ball field revenue due to the pandemic.

### **Kawartha Lakes Police Services(KLPS)**

KLPS was in a surplus of over \$250,000. This was related to increased grants in the court security area and reduced training due to the pandemic.



### **Street Lighting Area**

This area continues to show a surplus each year due to the installation of LED streetlights. The hydro expense budget was reduced in 2021 to \$600,000 based on an actual expense in 2020 of \$520,757. However, the actual hydro expense in 2021 was lower than 2020, which resulted in the almost \$100,000 surplus in this area.

### **Water and Sewer Surplus:**

The Water and Sewer area had a surplus of \$913,405. Revenue was approximately \$300,000 over budget due to increased development and therefore increased users and increased consumption. Expenses were lower than budget by approximately \$613,000 due to lower principle and interest payments on debt (\$84,000), lower OCWA additional charges (\$285,000), reduced utilities due to government rate reductions (\$63,000), and staff vacancies (80,000).

### **Kawartha Lakes Haliburton Housing (KLHHC) Surplus:**

The KLHHC area had a surplus of \$65,652. This will be transferred to the KLHHC Operating Surplus reserve in 2022, as per Council and Board resolution. This surplus resulted from increased rental income as well as decreased costs in property taxes and utilities.

### **Trust Fund Financial Statements:**

The Trust Financial Statements in Attachment D represent funds that are specifically set aside by legislation. The largest trust fund that the City administers is the Cemetery Perpetual Care Trust Funds. The interest earned on the investment of the Cemetery funds is transferred to operations each year to assist with expenditures for the maintenance of the City cemeteries.

### **Balance Sheet Accounts:**

#### **Taxes Receivable**

The balance in taxes receivable has risen approximately \$2 Million from the 2020 level and over \$7 Million from the balance in 2019, prior to the pandemic. As stated above in the Penalty and Interest Income explanation there have been no collection efforts undertaken in 2020 and 2021, as per Council direction as a result of the pandemic. These efforts have resumed again in 2022 and it is anticipated that the tax receivable balance will begin declining in 2022.

### **Accounts Receivable (AR)**

The AR balance has increased by approximately \$6 Million. The primary reason for the increase is the Development Charge Deferral AR balance that has increased by \$3 Million. This represents Developers who are deferring their development charges owing until time of building permit or occupancy. Other increases in accounts receivable were due to advances to A Place Called Home as well as other increases to amounts owing from insurance companies.

### **North West Trunk Receivable from Landowners**

The North West Trunk (NWT) Receivable has been a concern with the auditors as there have been no significant payments over the last few years. In 2021 we did receive payments totalling over \$1.8 Million bringing the receivable to a balance of \$19,273,823 as compared to the 2020 balance \$19,651,876. This amount is included in the total Accounts receivable figure of \$51.4 Million.

The Auditors have asked to provide some background so that Council and the public understand the large receivable balance. Council passed resolutions that imposed a capital charge on these landowners and also built into the resolution that their amount was not due until time of "development permission". "Development Permission" is defined in the Capital Charge By-Law as "the permit or approval which is the earlier of the permit allowing connection of the Benefitting Owner's land to the Northwest Sanitary Sewer Works, the issuance of a Building Permit, or approval to create a residential lot pursuant to Sections 50, 51 or 52 of the Planning Act." In simple terms this means that the charge will primarily be paid at time of execution of a subdivision or site plan agreement. In addition to the portion of costs incurred to build the NWT Sewer infrastructure, for the landowner, Finance Staff are adding debenture interest costs and Cost of Living (COLA) increases to the receivable each year.

Council is aware that each of the properties that have not paid their capital charge, currently have a lien imposed on their property so that they can't subdivide or develop the property without paying the NWT capital charge, at the current value (included debenture interest and COLA). Staff has committed to updating Council each year on the balance and the collections in this receivable.

A portion of the above paragraphs have been duplicated from the 2019 and 2020 note, in accordance with auditor direction.

## Deferred Revenue

### Note 4 – page 10 of the Financial Statements

The deferred revenue balance has increased by approximately \$8.7 Million since 2020. This increase is primarily due to the increase in Federal Gas Tax Funding in 2021. The Federal government advanced a second payment of this funding which doubled our allotment to over \$9.4 Million (2020 Federal Gas tax was \$4.7 Million). This second payment was advanced later in the year so the majority of the funds remained in reserve and are being applied to financing the 2022 capital budget.

A list of deferred revenue reserve funds at December 31, 2021 is included in Attachment B.

## Long Term Debt

### Note 7 – Page 13 of the Financial Statements

Long term debt has decreased from 2020 by approximately \$2 Million. There was over \$12.9 Million in principle payments on debt in 2021 and just over \$12 Million of debenture financing received from Infrastructure Ontario. The debenture financing was distributed to Water and Wastewater capital projects for a total of \$6.4 Million (primarily to cover Development Charge Reserve over-expenditures); \$1.7 Million to Tax Levy capital projects and \$3.7 Million to Kawartha Lakes Haliburton capital projects. Total debt is as illustrated in Note 7.

<b>Type of Debt</b>	<b>2021</b>	<b>2020</b>
General Tax Rates	\$ 65,097,709	\$ 67,203,165
Water and Sewer	56,480,518	54,413,662
Northwest Trunk Developer Debt	9,336,087	10,003,185
Local Improvement	242,791	244,517
Kawartha Lakes Haliburton Housing	2,671,213	3,643,056
<b>Net Municipal Debt</b>	<b>\$ 133,828,318</b>	<b>\$ 135,507,585</b>

## **Reserves**

### **Note 8 – Page 15 of the Financial Statements**

Reserves and reserve funds have increased from \$47.4 Million in 2020 to \$54.8 Million in 2021. This was primarily due to the disposition of the 2020 surplus of \$4.6 Million to the Winter Control reserve (\$1 Million), WSIB reserve (\$300,000) and the Asset Management reserve (\$3.294,454) and finally the 2021 in year surplus amounts of \$2.1 Million for Winter Control, \$1.6 Million to the Building Reserve and \$255,000 to the Library Reserve all of which were transferred prior to this report as per prior resolutions of Council.

A list of reserve at December 31, 2021 is included in Attachment C.

### **Recommendations for Surplus Disposition**

Staff are recommending that Council pass the following resolution:

That Council authorizes the transfer of the 2021 surplus as follows:

- The Fleet department surplus of \$272,722 be transferred to a newly created Fleet Maintenance Reserve and Council approve the creation of that reserve; and
- A portion of the Victoria Manor surplus of \$500,000 be transferred to the General Contingency Reserve, committed to Victoria Manor, for a Facility Master Plan; and
- That \$1,000,000 be transferred to the General Contingency reserve, committed to the Empower (Pandemic Recovery) program; and
- That \$1,000,000 be transferred to the Capital Contingency Reserve, to replenish this reserve; and
- That \$1,000,000 be transferred from the General Contingency Reserve committed to Winter Control and moved to the Public Works Fleet Reserve in order to purchase brushing and ditching equipment;
- That the remainder of the 2021 Surplus of \$4,295,130 be transferred to the Asset Management Reserve for future capital.

### **Fleet Operating Surplus**

The Fleet department has a surplus of \$272,722. This is primarily due to reduced use of vehicles during the pandemic. The Management Directive developed when the Fleet Policy was updated in 2016 states:

*"In the event of internal recoveries that result in a surplus in the Fleet department the savings will be reconciled and transferred back to the department or alternatively if the surplus amount is small it will be channelled into an operating Fleet Maintenance*

*Reserve for future fleet operating expenses. This reserve will be used in the subsequent years to offset vehicle maintenance and repair expenses or be used in the event of major unanticipated breakdowns of equipment. This reserve will be mandated to not exceed \$500,000 at any given time and any major overhauls will be documented in a report to Council to request permission to utilize the reserve following the purchasing policy.”*

This is the first year since 2016 that there has been a surplus in the fleet department. This will be utilized to offset the increases to the actual fleet expenses in any year when there is a major repair needed.

### **Facility Master Plan for Victoria Manor**

Human Services staff is requesting that \$500,000 be used from the Victoria Manor surplus of over \$1.5 Million to prepare a Facility Master Plan. The development of a Facility Master Plan for Victoria Manor will support lifecycle extension planning for the building and inform both the eventual development of a new home and the financial planning for that development. As the facility was built 33 years ago, capital costs are expected to increase significantly in coming years and the detailed assessment provided through a Facility Master Plan will direct the most effective and efficient capital planning through to its replacement or redevelopment.

The plan will include an analysis of current and future demand requirements, service level direction, current facility supply, future facility needs, and gap analysis over planning horizons of 5, 10 and 20 years. The plan will also provide options analysis and make recommendations regarding current and future building space solutions, including future redevelopment of the existing facility and/or construction of a new facility along with future use options for the current facility and site, and provide cost projections and life-cycle cost analysis for comparison of options.

### **Empower (Pandemic Recovery) Program**

The Empower program is an ongoing, multi-year program to streamline and enhance our services and will provide a unifying framework to transition from a siloed approach to a more integrated customer focused organization. There will be purchases of various technologies, workplace alterations, and service delivery transformation as the program progresses. Staff are requesting that \$1,000,000 of the 2021 surplus be put in the General Contingency Reserve committed to the Empower program. Staff will report to Council for authorization of expenditures in this program.

## **Capital Contingency Reserve**

The uncommitted portion of the Capital Contingency Reserve is approximately \$800,000. The pandemic has caused significant increases to costs due to a reduced workforce as well as scarcity of raw material. A large number of capital project tenders are coming in over budget due to the increases in the market as well as increasing delivery costs due to the high cost of fuel. Finance staff need to build a bigger cushion to absorb these cost increases and are requesting that the uncommitted portion of this reserve be increased by \$1,000,000.

## **Increase to Public Works Fleet Reserve for Brushing and Ditching Equipment**

In 2020 Public Works presented report RD2020-003, Recommendations for the Maintenance and Improvement of Road Drainage. The resolution that accompanied this report was as follows:

10.3.18 CW2020-146

***That Report RD2020-003, Recommendations for the Maintenance and Improvement of Road Drainage, be received; and***

***That Staff be directed to present the in house ditching crew option for consideration in the 2022 Budget.***

**Carried**

In the report there were recommendations for the creation of two (2) designated ditching crews, whose sole purpose was to complete ditching, brushing, and shoulder berm maintenance operations throughout the course of the year. One crew would cover the East Operating Area and one would cover the West (A) Operating Area. In addition to staffing the report discussed the need for new equipment for a total of 2 Rubber Tired Excavators (minimum of 175HP) and 2 ditching bucket and brushing heads. The cost of the equipment, in 2020, was approximately \$1.2 Million. The cost in 2022 is closer to \$1.5Million.

At the time of the 2022 capital budget there was not enough funds in the Public Works Fleet Reserve to accommodate these new purchases of equipment for brushing and ditching. The Fleet reserve is built on recovery of the cost of replacement equipment and no allowance is made for a new purchase of equipment that doesn't currently exist in the current fleet equipment inventory. Due to the lack of funds for the capital equipment the above recommendation for the creation of 2 designated ditching crews

were not implemented either. The Roads department continued the brushing and ditching program with external contracted services in 2022.

Staff are recommending that \$1,000,000 of the surplus that went to the Winter Control Reserve be transferred to the Public Works Fleet reserve to accommodate this purchase. This would leave the Winter Control reserve at a balance of \$2,131,473. In looking at previous year's winter control activity the average winter control expense is \$8.9 Million per year. The 2022 budget is currently at \$10.4 Million. The highest winter control expense the City has incurred was in 2019 where the total expense was \$11.3 Million. Staff have increased this figure by the rate of inflation in 2020 and 2021 of 2% and further increased it by 5% for 2022 inflationary pressures. The resultant Winter Control Stabilization Reserve will be approximately \$2.1 Million, maintaining sufficient funds to offset 2022 and/or future year deficits.

Staff are recommending that \$1,000,000 be transferred from the Winter Control Reserve to the Public Works Fleet Reserve to be used to finance a portion of the purchase of the brushing and ditching equipment, approved by Council in 2020. In addition, the salaries of the two ditching crews will be added to the 2023 operating budget and the contract expenses will be removed. At the time of the report in 2020 the additional cost of hiring the ditching crews versus contracting out for this service was \$70,000.

### **Asset Management Reserve**

Staff are recommending that the remainder of the surplus or \$4,295,130 be transferred to the Asset Management Reserve. The long range financial plan, presented at the Committee of the Whole in June, indicates that there will need to be significant debt undertaken in order to finance the Ten (10) year capital plan. The Asset Management Reserve is in need of funds to reduce the reliance on debt and to fund capital projects in the future.

## **2022 Operating Projection (Early Indications)**

### **Paramedics**

An Operational Key Performance Indicator Analysis was completed in Q1 and Q2 of 2022 and reported to Council on May 17<sup>th</sup>, 2022 through EMS2022-001, Paramedic Service Operational Key Performance Indicators. As noted in the KPI Report, Paramedic Service call volume through 2021/22 is increasing at an unprecedented rate. As frontline staffing levels have remained unchanged, resource utilization rates are at

maximum, call volumes are increasing and reliance on cross border ambulance service response is at a historical high and increasing.

In consideration of the operational pressures and increase associated with ambulance availability, an additional 4 paramedic staff is required to adequately respond to immediate service demands. These additional staff would consist of 2 primary care and 2 advanced care paramedics and will cost an estimated total of \$450,000 for the year. These positions will become permanent in the 2023 budget year. The Ministry of Health has continued pandemic funding into Q1, 2022 but it is unclear if funding will continue past that point. If it does the additional funding will be used to fund these 4 positions. If this funding doesn't continue the City could allocate Safe Restart Funding remaining in 2022. If insufficient funding remains the 2022 operating surplus will be used to offset the expenses.

### **Winter Control**

Expenditures up to the end of May 2022 have been higher than 2021. Total expenses are \$7,695,326 compared to January to May 2022 of \$4,191,270. This is an increase of \$3,504,056. A summary of the number of events from January to April 2022 provides further proof that the first half of 2022 was much busier than the first half of 2021.

<b>Month</b>	<b>2022 Winter Events</b>	<b>2021 Winter Events</b>
January	11.44	10.11
February	8.67	11.11
March	7.56	2.00
April	.89	1.00

If the winter season in October to December is similar to 2021 the winter control division will be over-budget by approximately \$300,000. This weather unpredictability is the reason the Winter Control reserve was put in place and funds will be drawn from the reserve, if needed, to offset this deficit.

### **Overall 2022 Comment**

For the first quarter of 2022 early indications are showing that user fee revenue has increased over 2021 and 2020 levels but are still slightly under 2019 user fee revenue. Development related fees are trending over 2019 as well as 2020 and 2021 which is a good indication of the level of growth that is still present in the area. Staff are optimistic that this trend will continue.



## **Other Alternatives Considered:**

Council could choose to put the surplus in other reserves but the staff recommendations account for some major budget pressures in 2022 and future budget years. As well Council could decide not to fund the 4 proposed paramedic positions but given the volume of calls, they are desperately needed at this time.

## **Alignment to Strategic Priorities**

The 2021 Surplus Disposition Report supports the strategic goal of Good Government. This report details the effective use of financial resources by departments working within budget constraints.

## **Financial/Operation Impacts:**

The General Rate Surplus of \$7,067,852 will be transferred to the various reserves with no effect on the bottom line of the City for 2022. The deficit from the Area Rate Deficits has been financed by 2022 tax levy increases as per Council policy. The surplus in Water and Wastewater has been transferred to the Sewer and Water Infrastructure Reserves. The KLH HC surplus will be transferred to the KLH HC Operating Reserves as per Council Policy.

## **Servicing Implications:**

Not applicable.

## **Consultations:**

Senior Management Team  
Executive Assistants

## **Attachments:**

Attachment A – 2021 Draft Financial Statements



CORP 2022-008  
ATTACHMENT A.pdf

Attachment B – 2021 Balance in Deferred Revenue



CORP 2022-008  
ATTACHMENT B.pdf

Attachment C – 2021 Balance in Reserves



CORP2022-008  
ATTACHMENT C.pdf

Attachment D – 2021 Trust Fund Draft Financial Statements



CORP 2022-008  
ATTACHMENT D.pdf

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**Department Head: Jennifer Stover**

**Department File: Corporate Services**