



The Regional Municipality of Durham Information Report

From: Commissioner of Finance
Report: 2025-INFO-02
Date: January 17, 2025

Subject:

The Consolidated Budget Status Report to November 30, 2024, and Full Year Forecast

Recommendation:

Receive for information.

Report:

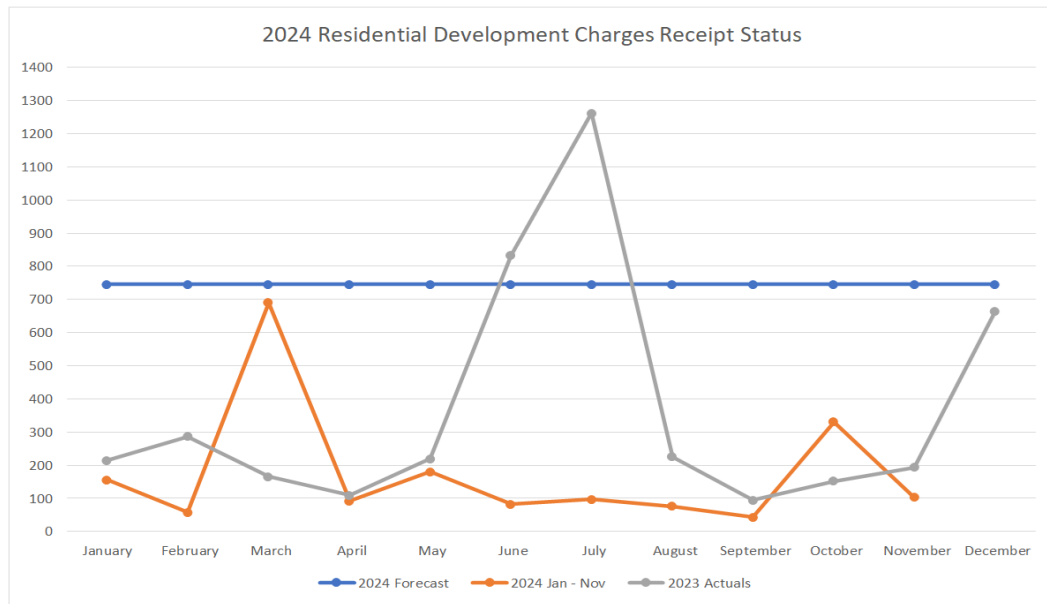
1. Purpose

1.1 The following summary on the status of the 2024 Consolidated Budget and Full Year Forecast for the General Tax Operations, and the Water Supply and Sanitary Sewer Systems, is based upon information supplied by the Regional Departments, a review of the financial statements to November 30, 2024, and a forecast to the end of the year. It is important to note that there are many assumptions and estimates incorporated in this forecast.

2. Significant Factors Impacting Regional Operations

2.1 As noted in the Economic Updates provided by the Finance Department, the economic environment has had impacts on the local economy and Regional services. Fluctuating commodity and fuel prices have direct implications for Regional program areas. They are largely driven by North American and global markets, beyond the direct control of the Region. Recent economic data indicate that inflationary pressures have broadly eased, and the Bank of Canada has made several cuts to its overnight interest rate. The impact of these considerations has been incorporated into the full year forecast.

2.2 Residential development charges units for which receipts are recorded for the first eleven months of 2024 total only 1,908 units, or approximately 21 per cent of the forecast for 2024. Staff will continue to monitor the receipts against the forecast of 8,944 units.



Notes:
 2024 Forecast = 8,944 units total (745.33 units per month)
 2024 Jan - Nov = 1,908 units total
 2023 Actuals = 4,418 units total

3. Budget Status Summary – Regional Operations

3.1 An overall surplus is forecasted for Regional property tax supported operations for 2024, as indicated in the following table:

	<u>Surplus/(Deficit)</u>
	<u>\$</u>
Social Services	4,600,000
Health and Paramedic Services	1,200,000
Works – General Tax Programs	6,850,000
Planning and Economic Development	1,240,000
Corporate Services	(1,110,000)
Office of the Chief Administrative Officer	525,000
Finance	1,200,000
Durham Regional Police Services	-
Durham Region Transit	4,000,000
Investment Earnings	55,200,000
Reallocation to Affordable Housing Reserve Fund	(55,200,000)
Corporate Items and Other Initiatives	(11,454,100)
Overall General Tax Surplus	<u>7,050,900</u>

4. General Tax Operations

4.1 Social Services Department

Long-Term Care and Services for Seniors

- The Long-Term Care and Services for Seniors division advises that a surplus position of approximately \$1,990,000 is expected for the year. Factors contributing to this position are noted in the following bullets.
- Per diem subsidy adjustments announced by the Province are anticipated to provide an additional \$3,865,000 in revenue that was not known at the time of budget approval.
- Preferred accommodation is trending above budgeted expectations with an estimated surplus of \$330,000. Preferred beds are no longer being occupied by basic paying residents due to lack of availability of basic rooms.
- Expenses for education and training, utilities, medical supplies, cleaning and laundry, materials, capital spending, professional services, building and equipment maintenance are higher than budget by an estimated amount of \$2,595,000.
- The Homes are forecasting a favourable variance of approximately \$860,000 in payroll related costs. The bulk of this surplus is due to staff vacancies, offset by higher overtime to ensure Ministry requirements for resident care and strict service levels are maintained.
- Food costs are higher than budget by \$275,000 due to inflationary increases.
- Other revenue from the Homes is trending below budgeted expectations with an estimated shortfall of \$95,000.
- A deficit in the Adult Day Program of approximately \$100,000 is due to the Program not operating at its capacity. The Program is still recovering from the pandemic and is continuing to increase the number of clients and is approaching pre-pandemic levels.

Family Services

- Overall, the Family Services Expense programs are currently projecting a deficit of \$700,000 at year end.
- Core Community Services is currently projecting a deficit of \$700,000 at year end. Of this amount, \$600,000 relates to adjustments to personnel costs, offset by minor savings totalling \$30,000 in various non-staffing categories. Additionally, there is a shortfall of approximately \$130,000 in program fee revenues due to higher usage by clients that are unable to afford fees. Fees are charged based on an individual's ability to pay for services, and there has

been a continued increase in the volume of clients accessing the services with minimal income available.

- The Employee Assistance program is projecting savings in the staffing expense category of approximately \$75,000 due to the time lag in filling vacant positions. However, these savings are offset by lower than planned fee revenues.

Income and Employment Support

- The Income and Employment Support division is projecting a deficit of \$400,000 for the year.
- The average year-to-date caseload for 2024 is substantially higher than the average for 2023 (9,313 compared to 7,870 cases in 2023, or 1,443 cases, approximately 18.3% higher). Although the province funds most of the direct program costs, a portion of the discretionary program is funded from property taxes. At this time, based on the expenditures to date, a deficit of \$700,000 in the discretionary program is projected for the year.
- Overall staffing costs of the Ontario Works (OW) Program delivery section are expected to exceed budgeted levels by approximately \$450,000. Part-time and temporary staffing has been required given the caseload and to provide coverage for a number of vacancies and pending retirements.
- The 2024 Ontario Works provincial subsidy was approved by the Province in late spring. The approval included an additional \$235,163 of one-time funding to help offset the additional costs to the Region of administering Ontario Works activities related to asylum seekers in Durham Region. This one-time funding was not included in the 2024 Council-approved Regional budget and reduces the net costs that were included in the budget.
- Savings in primarily client benefits in the Employment program is expected to create generate a surplus of approximately \$850,000, largely as a result of the transition to the new Integrated Employment program, which limits the amount the Region is able to issue under OW guidelines.
- Variances in other accounts, including expenses for security for facilities and interpreter fees, are expected to result in a deficit of approximately \$335,000.

Emergency Management and Program Support Services

- A deficit of \$290,000 is forecast for the operations of the Emergency Management and Program Support Services section for 2024, primarily due to costs related to the provision of temporary lodging for residents temporarily without housing due to residential fires, safety evictions and other crisis events.

Children's Services

- The Children's Services division is currently expecting to be in a break-even position for the year.
- The Province increased the Canada Wide Early Learning and Child Care (CWELCC) funding mid-year for the following programs:
 - Increased Fee Reduction, Workforce Compensation, Emerging Issues & Start up grant funding (\$4.4 million)
 - \$1.1M in Professional Learning funding to improve recruitment and retention of the Registered Early Childhood Educator (RECE) workforce and other program staff (\$1.1 million)
 - One-time Admin funding to support the transition to a cost-based funding formula (\$1.29 million)
 - Increased Emerging Issues funding (\$7.8 million) to support licensees in addressing non-discretionary cost pressures. Approximately \$4 million of this funding is expected to cover anticipated Fee Reduction shortfalls.
- Children's Services has been able to distribute the additional funding except for an estimated \$844,000 in application based CWELCC start-up grant funding that is expected to be repaid to the province due to the limited number of operators eligible for the funding.

Housing Services

- The Housing Services division reports that expenditures continue to track below budgeted expectations, with a projected surplus of \$4,000,000.
- Savings of \$200,000 are anticipated in the Social Housing Administration area because of time lags in filling staff vacancies.
- In September, the Ministry of Municipal Housing and Affairs announced an additional \$826,000 under the Canada Ontario Housing Benefit to prioritize asylum seekers and refugees and this funding is anticipated to be utilized by year end.
- Payments to external social housing providers, a portion of the Community Housing Program budget, are presently tracking approximately \$3,400,000 under budget, primarily due to lower than anticipated Rent Geared to Income subsidies paid to providers.
- It is anticipated that the Rent Supplement and Housing Allowance programs total budget of \$3,900,000 will be fully utilized, providing subsidy to approximately 430 households.

- The Community Housing Repairs program, which provides funding for partner housing providers to address urgent capital repairs, is anticipated to be fully spent. This program is funded by the Canada Ontario Community Housing Initiative (COCHI) grant program, in the amount of \$3.6 million for 2024.
- The Ontario Priorities Housing Initiative (OPHI) program to address local priorities in areas of housing supply and affordability is underway and anticipates a break-even status, utilizing Provincial funding of \$3.4 million.
- The Durham Regional Local Housing Corporation (DRLHC), the Region's own housing provider, is projecting a deficit of approximately \$600,000. Cost overages for the year are primarily from winter grounds maintenance and building maintenance and repair. In addition, units that are being rehabilitated due to tenant turnover have been impacted with supply chain issues, increasing vacancy losses. These deficits are partially offset by higher than expected interest revenues on surplus funds.
- Rental revenue and expenses for the Beaverton Supportive housing project are projected to be under budget by approximately \$1,000,000, as result of the later than expected occupancy date.

Overall, a surplus position of \$4,600,000 is projected for the Social Services Department for the year.

4.2 Health Department

Public Health

- The programs of the Durham Region Public Health Department are forecasted to be in a surplus position of \$1,200,000 when compared to the 2024 budget.
- Operational savings are currently being experienced due to full time staff vacancies and leaves in the mandatory programs. These savings are partially offset by over budget staffing items such as part-time/temporary staff and overtime. Additional savings in miscellaneous operating costs are also expected.
- Attracting full-time dentists for the Ontario Seniors Dental Care program continues to be a challenge. While contract dentists are being utilized to provide service, this provincially funded program is expected to be significantly below budget for the year.

Paramedic Services

- The programs of the Paramedic Services division are forecasted to in a break-even position when compared to the 2024 budget.
- The 2024 provincial subsidy approval for RDPS will result in a surplus of \$750,000 compared to the 2024 budgeted estimate, similar to prior years' experience.

- However, personnel costs are anticipated to be over budget, due to factors such as offload delays experienced at emergency rooms and Workers Safety Insurance claim costs. As well, there are inflationary pressures in areas like medical supplies. These cost overages are expected to offset the additional subsidy amounts.
- The 100% Provincially funded Community Paramedicine for Long-Term Care program is continuing. An extension to the program from March 2024 to March 2026 was announced by the province, with funding of \$3,000,000 for each year. An additional community program providing diagnostic services was introduced by the province in 2024 with one-time funding of \$500,000.

The overall result for the Health Department is a projected surplus of \$1,200,000 for 2023.

4.3 Works Department

Transportation and Other General Tax Programs

- The Works Department reports that as of the end of November overall revenue and expenditures for the Transportation and other General Tax programs are projected to be in a surplus position for the year, primarily arising from the following factors.
- The Winter Maintenance program is forecasted to be in a surplus position of about \$1,000,000, primarily due to the milder weather conditions at end of the year.
- The Roadside Maintenance program is anticipating a deficit of approximately \$1,800,000 due in part to costs of asphalt repair and shoulder grading, mowing, cutting brush, and for dust control.
- Traffic programs such as Signals and Systems, and Signs and Markings are anticipated to be in a surplus position of \$2,200,000 for 2024, primarily due to savings on pavement line marking, special marking, and sign replacement maintenance.
- The Engineering and Staff Support and Administration programs continue to experience issues filling vacancies which results in savings in staff related costs. However, these reduced staff costs are offset by increased costs in vehicle repairs, hardware/software maintenance, professional consulting services and program material cost, resulting in an expected net surplus of \$300,000.
- The expenses of the Depot operations are trending under budget due to staff related savings and savings in the miscellaneous expenses categories. A surplus of \$1,700,000 is expected for these programs.

- In addition to the 2024 operational savings, there are general tax savings on capital projects that have been completed and closed to date in the amount of \$1,700,000.
- Overall, a \$5,100,000 surplus is forecast for the transportation and other general tax programs of the Works Department.

Solid Waste Management

- The Solid Waste Management division is projecting a surplus position of \$1,750,000, or about 2.9 per cent of the 2024 budget.
- Contract price adjustments and fuel pricing in the Collection, Processing, Haulage and Disposal programs are estimated to contribute \$360,000 to the surplus.
- Personnel cost savings in the by-law enforcement and support areas are estimated at \$1,120,000, due to staffing vacancies and time lag in filling positions.
- Blue box processing operation, which ended July 1, 2024, produced a revenue surplus of about \$480,000 from a combination of commodity sales and subsidy.
- Waste management facility operations are expected to be in a surplus position of \$190,000, primarily from lower equipment maintenance and repair and higher user fee revenue.
- A deficit of approximately \$400,000 is expected for the Durham York Energy Centre operation. The contract costs are expected to be higher than budgeted, due to the pending year end inflationary adjustments, as well as the amount of bypass waste handled during the year.

Overall, the Works Department is anticipating a surplus of \$6,850,000.

4.4 Planning and Economic Development Department

- The Planning division has savings from vacancies experienced so far this year, as positions were held vacant in the wake of Bill 23, the More Homes Built Faster Act. Consulting services were used to carry out planning activities until the transition of planning services was finalized. As noted in the memo from Commissioner Bridgeman included in the Council Information Package on November 15, 2024, the province announced January 1, 2025 as the proposed date for proclamation as an “upper tier without planning responsibilities”.
- A portion of the vacancy savings is being used for the Economic Development division’s attendance at the Hannover Messe Trade Show in 2025, as approved in report #2024-F-13. After funding these costs a net surplus of \$600,000 is expected for the Planning division for 2024.

- The Rapid Transit and Transit Oriented Development Office is anticipating a surplus of \$368,000 from salary savings.
- The division is awaiting the regulations for Bill 131: Transportations for the Future Act, 2023, in order to advance the station design.
- The Economic Development and Tourism division is anticipating a surplus of \$272,000 related to payroll savings from vacancies and minor savings across various programs.
- At this time a surplus of approximately \$1,240,000 is projected for the Planning and Economic Development Department.

4.5 Corporate Services Department

- The Information Technology division anticipates being in a deficit position of approximately \$550,000 at year end. While savings from staffing vacancies are being experienced, they are being offset by higher than anticipated licence fees and the approved costs associated with the work necessary for improvements in the network operation.
- A deficit of \$260,000 is being forecast for the Human Resources division for 2024. The deficit is primarily due to higher than expected professional and consulting fees for labour relations issues and consulting expertise in modernizing human resources services and processes.
- Legislative Services reports there will be savings of approximately \$600,000 on personnel costs due to the timing of filling vacant positions in the Council Services and Information Management sections.
- Expenditures of Service Durham, the division responsible for the implementation and operation of my Durham311, are projected to be in a deficit of approximately \$900,000 for the year. The deficit arises as positions transferred to Service Durham during the year were budgeted for in service areas of other departments, and this deficit is offset by the salary surplus realized in the departments where the budget resided for 2024.
- Overall, a deficit of \$1,110,000 is expected for the Corporate Services Department.

4.6 Office of the Chief Administrative Officer

- The programs reporting under the CAOs Office, including Corporate Communications, Strategic Initiatives, and Diversity Equity and Inclusion, anticipate savings of approximately \$200,000 due to the timing of filling vacancies.

- The Legal Services division is anticipating a surplus \$500,000 for the year, resulting from staff vacancies.
- Fine revenue of the Provincial Offences Act (POA) program is anticipated to be below budget by almost \$500,000 for 2024. This shortfall in revenues has been partially offset by savings in the Prosecution and Default Fine Collection programs. Overall, the POA program is expected to fall short of the net revenue budget by approximately \$175,000.
- Durham Emergency Management anticipates savings due to vacancies; however, as these amounts are funded by Ontario Power Generation (OPG) accounts, a smaller draw on OPG funds is required and a break-even position will result for the year.
- Overall, a surplus of \$525,000 is projected for the year for the programs reporting to the CAO Office.

4.7 Finance Department

- The Finance Department is projecting a surplus of approximately \$1,200,000 for the year. Staff turnover, with the time required to fill vacant positions and the difficulty of attracting qualified candidates, is offset by use of temporary staff and overtime resulting in a \$700,000 surplus. Earnings from management of the Region's investment portfolio are anticipated be \$500,000 above budget.

4.8 Police Services

- As of November 30, 2024, the Police Service is forecasting year end results to be close to budgeted level with an overall break-even position.
- While there are salary-related savings as a result of vacancies caused by staff departures and on-going recruitment challenges, these savings are offset by increased spending on overtime and benefit costs supporting staff on leave.
- Additionally, several operational accounts, such as computer maintenance, communications, and personnel expenses are expected to be overspent. However, savings in other areas will offset these overages.

4.9 Durham Region Transit

- As of November 30, it is projected that Durham Region Transit will experience an operating surplus of approximately \$4,000,000 based upon a review of actual expenditures and revenues to date and forecasts to the end of the year.
- To date, fare revenue is trending equal to budget. Cash fare revenue is down 18 per cent to budget so far but is offset by stronger than expected Presto revenue. U-Pass revenue is about 20 per cent higher for the Winter and Summer terms, and as a result, a \$1,000,000 surplus is expected.

- Payroll related expenditures are expected to be in a \$3,000,000 surplus due to challenges in filling vacancies in both operations and maintenance, as well as lower than expected overtime.
- Price pressures for fuel that have been witnessed over the past few years have subsided in 2024. To date, the average cost per litre is approximately \$1.35, compared to the budgeted \$1.48 per litre, with the August price as low as \$1.25 per litre. As a result, a surplus of \$750,000 related to fuel pricing has been realized as of November. Fuel volume is also trending lower than budgeted expectations resulting in a surplus of approximately \$750,000 to date. Overall, it is projected that fuel will be in a \$1,500,000 surplus.
- A deficit of \$1,500,000 is projected for bus repairs and maintenance due to inflationary pressure on parts and servicing costs in 2024.

4.10 Investment Earnings and Corporate Items & Other Initiatives

- The very favourable investment climate has provided the opportunity to invest over a longer time horizon. With the adoption of the prudent investment standard, a number of investments were sold at premiums given a significantly favourable market, triggering a one-time opportunity to earn significant capital gains on the sale. The estimated gain on sale of \$55.2 million has been transferred into the Social Housing Reserve Fund to support the significant funding requirements for affordable housing in accordance with the recommendations of Report #2024-COW-53.
- The following major initiatives have been approved subsequent to approval of the 2024 Business Plans and Budgets and require funding from property tax sources:

Under Report #2024-A-8, Regional Council approved upgrades to the existing internet and wide area network to address performance limitations and improvements. The operational costs estimates are included in forecast of the Information Technology division in the Corporate Services Department. The funding required for capital is: \$298,000

Report #2024-COW-24 - Regional Council approved additional funding for the Region's humanitarian response to asylum-seekers and refugees, to the extent not reimbursed by upper-level governments \$9,900,000

Report #2024-W-17 - Regional Council approved the repurchase of a property at 135 Albert Street, Sunderland in the Township of Brock \$393,750

Report #2024-W-27 - Regional Council approved additional financing for the bus hoist repair at the DRT east facility \$279,848

Report #2024-W-27 - Regional Council approved additional financing for the emergency fire suppression system at the material recovery facility \$582,545

Corporate Items & Other Initiatives Total \$11,454,143

- Available property tax surplus will be used to the extent possible to fund the above noted items.

5. Water Supply and Sanitary Sewer Systems

Water Supply Operation

- 5.1** The Works Department reports that expenditure variances are being experienced in various Water Supply programs due to reactive work on watermain leaks, water service repairs and water valve maintenance, with a deficit of \$1,800,000 anticipated. Depot operations expect to have savings in an estimated amount of \$3,200,000 resulting from vacancies and deferral of work, primarily in the general locates program. Savings in staffing costs due to vacancies in Engineering and Staff Support, Plant operations and Facilities Management sections are anticipated to provide savings of approximately \$300,000. Overall, a surplus of approximately \$1,700,000 is anticipated for operational programs.
- 5.2** The net excess water user rate financing on capital projects closed to date is \$2,200,000.
- 5.3** The Utility Finance operation has experienced salary savings due to vacancies and is expected to generate a \$400,000 favourable variance to budget for 2024. This is an example of an area where mid-year, staff were transferred to Service Durham, so the budget remained here with costs in Service Durham.
- 5.4** To the end of November, water consumption is trending about 4 per cent higher than that of the same period for last year. Growth in the number of water customers at approximately 1.3 per cent is slightly higher than the forecast used for 2024 budget purposes, which accounts for a small portion of the higher water consumption. Consumption from the industrial, commercial, and institutional (ICI) sectors is returning to pre-pandemic levels and is trending higher than budgeted estimates. The combination of these factors is expected to result in an estimated water supply user rate revenue surplus of \$4,000,000 for 2024, representing approximately 3 per cent of budgeted user revenue. There is the potential for a larger write off in 2025 pertaining to a food processing customer that has filed for creditor protection.
- 5.5** Overall, a surplus position of \$8,300,000 for the water supply system is anticipated at this time. In accordance with Report #2024-COW-54 on the 2025 Business Plans and Budget, this surplus will be directed to the Growth Related Water

Infrastructure reserve fund up to a maximum amount of the estimated shortfall in 2024 development charge receipts.

Sanitary Sewer System

- 5.6** The Works Department projects that the current operational expenditures for the Sanitary Sewer system are anticipated to produce a surplus position of approximately \$2,000,000 by year end. Vacancies and related salary savings, primarily in the Engineering and Staff Support, Plants and Facilities Management sections, are anticipated to contribute approximately \$3,800,000 toward this projected surplus. Overages are expected for a number of accounts, particularly in sludge haulage and disposal and chemicals, of approximately \$470,000. It is anticipated that service volumes related to the repair and maintenance of sewer connections will result in a deficit of approximately \$820,000. A deficit is also expected for the Regional Environmental lab of approximately \$310,000, with other miscellaneous accounts contributing a further deficit of \$200,000.
- 5.7** The net excess sewer user rate financing on capital projects closed to date is \$5,700,000.
- 5.8** The Utility Finance operation has experienced salary savings due to vacancies and is expected to generate a \$400,000 favourable variance to budget for 2024.
- 5.9** Similar to water supply user revenues, the sanitary sewer charges from the residential sector are lower than expected, and billings to the ICI sectors are returning to pre pandemic levels. A surplus position of \$5,000,000 is anticipated for sanitary sewer user revenue for 2024, representing approximately 3.7 per cent of budgeted user revenue.
- 5.10** Overall, a net surplus position of approximately \$13,100,000 is anticipated for the sanitary sewer system. This surplus will be directed to the Growth Related Sewer Infrastructure reserve fund up to a maximum amount of the estimated shortfall in 2024 development charge receipts, in accordance with the direction approved in the 2025 Business Plans and Budget report.

6. Relationship to Strategic Plan

- 6.1** This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- 5.3 - Demonstrate commitment to continuous quality improvement and communicating results:
Durham Region is committed to continuous quality improvement and using data and information to make evidence-informed decisions. We will support transparency and accountability by providing clear and consistent communication and sharing of results with the community.

- 5.4 - Drive organizational success through innovation, a skilled workforce, and modernized services:
The Region will attract and retain a skilled and diverse workforce that embraces innovation and is committed to delivering modernized services that respond to changing expectations and fiscal realities.

7. Conclusion

- 7.1** Based on the available information to the end of November, surplus positions are forecast for the Property Tax supported operations and the User Rate Supported Water Supply and the Sanitary Sewer Systems.
- 7.2** Forecasting is challenging at the best of times, but in these times of uncertainty, it is even more so. It is important to note that there are many assumptions needed to produce the forecast and that actual year end results may differ from the results noted above.

Respectfully submitted,

Original Signed By _____

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance