

DECISION/DIRECTION NOTE

Title: Report on Revenue and Expenditure for Fiscal 2021

Date Prepared: July 12, 2022

Report To: Regular Meeting of Council

Councillor and Role: Councillor Ron Ellsworth, Finance & Administration

Ward: N/A

Decision/Direction Required:

Adoption of the Executive Summary Report on Revenues and Expenditures for the year ended December 31, 2021.

Discussion – Background and Current Status:

Method of Accounting

The City of St. John's 2021 Executive Summary Report on Revenue and Expenditure is presented and discussed herein. It is important to distinguish between the Executive Summary Report presented in this note and the 2021 Audited Financial Statements that were adopted by Council on June 28th, 2022. The Audited Financial Statements are prepared using accrual-based accounting, whereas the Executive Summary Report, while still based on audited information, is presented using cash-based accounting. The City's budget is also prepared using cash-based accounting meaning the financial results presented herein allow the City to be held accountable against its planned operating budget as approved by Council each year. This enforces the City's commitment to openness and transparency.

It is also worth noting, the budget presented in the Executive Summary Report is the City's adjusted budget. The adjusted budget is the original approved budget, adjusted to reflect transfers and changes that occur throughout the year for items not known at the time the budget is approved. These adjustments are reflective of "one-off" transactions, net to zero, and do not result in a permanent increase to the City's budget. These adjustments are made to prevent skewed expenditure or revenue variances that could result, for example, if a program budget were to incur expenses that are funded from an external source (i.e., a Federal or Provincial grant, or a reserve). A summary of adjustments that occurred during 2021 is presented in the table below.

ST. JOHN'S

	Revenue	Expenditure	Net
2021 Approved Budget - As approved by Council on December 7, 2020	\$ 312,526,525	\$ 312,526,525	\$ -
Budget Adjustments:			
Transfer from surplus for additional pension contribution to reduce 2022 pension expense	10,609,811	10,609,811	-
Transfer from Robin Hood Bay capital reserves for Gas Collection and Cover Expansion project	5,197,457	5,197,457	-
Transfer Federal Gas Tax revenues to capital reserves	4,843,945	4,843,945	-
Transfer funds from completed or unallocated capital projects to 2021 Capital out of Revenue	4,555,578	4,555,578	-
Transfer from St. John's Regional Fire Department reserve for fire trucks	1,607,925	1,607,925	-
Transfer excess development fee revenues to capital reserves	562,483	562,483	-
Transfers from Water and Wastewater system equipment replacement reserves	520,106	520,106	-
Transfer St. John's Regional Fire Department protective clothing budget from 2020 to 2021	80,628	80,628	-
Transfers from Parks and Open Spaces reserve for various capital projects	71,457	71,457	-
Other miscellaneous transfers and departmental adjustments	52,832	52,832	-
Subtotal - Budget Adjustments	28,102,222	28,102,222	-
2021 Adjusted Budget - As at December 31, 2021	\$ 340,628,747	\$ 340,628,747	\$ -

2021 Operating Results

For 2021, the City reports an operating cash surplus of \$3,940,658, which equates to 1.16% of the City's total gross adjusted budget of \$340,628,747. Significant revenue and expenditure variances are summarized below.

Revenue Variances

Overall, actual revenues exceeded budgeted by \$4.82 million, or 1.42% of the gross adjusted revenue budget of \$340.63 million. Notable variances included:

1. **Commercial Realty:** Favourable variance of \$4.30 million (5.83%) due primarily to lower than estimated vacancy allowance claims and modest growth in the roll. Due to economic uncertainty relating to the pandemic, a conservative estimate was used for the 2021 budget.
2. **Transportation:** Unfavourable variance of \$1.31 million (73.67%) due to lower than budgeted revenues from parking meters, parking permits and parking meter smart cards.
3. **Recreation:** Unfavourable variance of \$429 thousand (22.92%) due to the impact of COVID-19 and related health measures on programs offerings for children, seniors, and aquatics and fitness.
4. **Construction permits:** Favourable variance of \$681 thousand (31.62%) due to greater than budgeted revenue from building & repair permits.
5. **Fines:** Unfavourable variance of \$1.23 million (53.44%) resulting from fewer parking violations than anticipated for 2021.
6. **Rents & Concessions:** Unfavourable variance of \$593 thousand (16.33%) due to less than anticipated Non-Profit Housing rental income.

7. **Investment Interest:** Favourable variance of \$1.56 million (309.32%) due to higher than anticipated interest earned on City bank accounts as well as interest earned on City of St. John's bonds purchased during 2021.
8. **Interest on Tax Arrears:** Favourable variance of \$567 thousand (25.70%). Due to economic uncertainty relating to the pandemic, a conservative estimate was used for the 2021 budget.
9. **Other Grants:** Favourable variance of \$6.07 million (2669.92%) due primarily to the \$5.8 million in Disaster Relief funds received for the 2020 "Snowmageddon".
10. **Transfers From Reserves:** Unfavourable variance of \$6.33 million (20.56%). The 2021 approved budget included the use of \$7.12 million from prior years surpluses as a measure to address forecasted revenue losses due to the impacts of the pandemic. However, due to the City reporting an operating surplus for the year, these funds were not required to be transferred.

For further detail regarding 2021 revenue variances, including a breakdown by revenue category, please see the Revenue section of the attached 2021 Executive Summary Report on Revenue and Expenditure.

Expenditure Variances

For 2021, actual expenditures were greater than budgeted by \$879 thousand, or 0.26% of the gross adjusted expenditure budget of \$340.63 million. By expenditure category, notable variances included:

1. **General Government:** Favourable variance of \$2.70 million (6.92%) comprised of salary savings due to temporarily vacant positions, reduced travel costs, as well as reduced telecoms, electrical supplies, cleaning of facilities, electricity, furnace fuel, legal services, and computer software costs. Unfavourable variances occurred pertaining to costs for employee group insurance, as well as mandatory employer payroll contributions related to City's employee pension plan.
2. **Protective Services:** Unfavourable variance of \$1.74 million (4.85%) due primarily to mandatory employer payroll costs and allowances, including pension plan contributions, in the St. John's Regional Fire Department. Favourable variances occurred under Protective Inspections and Traffic Enforcement to help mitigate overall unfavourable variances in Protective Services.
3. **Transportation Services:** Unfavourable variance of \$1.28 million (2.30%). Snow clearing operations reported an unfavourable variance of 1.34 million (7.57%) due primarily to salt and labour costs. In addition, increased cost of concrete and asphalt

resulted in an unfavourable variance of \$788 thousand (10.82%) under Maintenance of Roads and Sidewalks. The City reported favourable variances totalling \$1.27 million combined under Maintenance of Traffic Lights and Signs, Maintenance of Parking Meters, as well as electricity costs for Street Lighting.

4. **Environmental Health:** Unfavourable variance of \$1.46 million (1.74%) primarily attributable to increased cost of furnace oil and the purchase of land at the Riverhead Waste Water Treatment Facility, as well as increased tipping fee charges under Garbage Collection. Robin Hood Bay's unfavourable variance is offset by transfers from operating reserves, reported under Other Transfers on the revenue section of the report.
5. **Environmental Development:** Favourable variance of \$1.30 million (8.96%) due to reduced expenditures relating to the Tourism and Marketing Levy, expiry of the Federally funded Homelessness Partnership Strategy initiative, as well as reduced labour costs across multiple Tourism and Economic Development programs.
6. **Parks, Recreation & Cultural Services:** Unfavourable variance of \$141 thousand (0.52%). Favourable variances occurred under Parks due to a reduction in required cleaning and maintenance, as well as in Recreation due to reduced labour, bus charters, and recreation supplies and equipment resulting from fewer children's, senior's, and aquatics and fitness program offerings. St. John's Sports & Entertainment operations required an additional \$1.96 million (38.51%) due to lost revenue from events at Mile One and the Convention Centre.
7. **Fiscal Services & Transfers:** Favourable variance of \$1.59 million (2.16%) relating primarily to a \$1.74 million (39.99%) favorable variance under Allowance for Doubtful Accounts. Due to economic conditions relating to the pandemic, a conservative estimate was used for the 2021 budget.
8. **Transfers to Other Departments:** Unfavourable variance of \$1.85 million (17.54%) due additional employer pension plan costs arising from an actuarial valuation of the City's defined benefit pension plan.

Further detail regarding 2021 variances, including a breakdown by functional area and program, can be found in the Expenditure section of the attached 2021 Executive Summary Report on Revenue and Expenditure.

Cumulative Cash Surplus

The table below summarizes the City's cumulative cash surplus as at December 31, 2021.

City of St. John's Cumulative Cash Surplus	Balance (\$)
Cumulative Cash Surplus - As at December 31, 2020	\$ 27,845,046
Allocated Funds:	
Early payment towards Defined Benefit Pension	(10,450,755)
Cumulative Cash Surplus After Allocated Funds	17,394,291
2021 Operating Surplus	3,940,658
Cumulative Cash Surplus - As at December 31, 2021	\$ 21,334,949

Summary

In summary, for 2021, the City reports an operating cash surplus of \$3,940,658, which equates to 1.16% of the City's total gross adjusted budget of \$340,628,747. Cumulatively, the City's unallocated surplus as of December 31, 2021 is \$21,334,949. Any potential use of these funds on a go forward basis will be examined over the next number of months as the City assesses results for 2022 and prepares for budget 2023.

Key Considerations/Implications:

1. Budget/Financial Implications:

As presented above.

2. Partners or Other Stakeholders:

All residents and business living and operating within the City of St. John's, as well as neighboring municipalities availing of regional water, wastewater, fire protection, and waste management services.

3. Alignment with Strategic Directions:

A Sustainable City: Be financially responsible and accountable.

An Effective City: Ensure accountability and good governance through transparent and open decision making.

4. Alignment with Adopted Plans:
5. Accessibility and Inclusion:
6. Legal or Policy Implications:
7. Privacy Implications:
8. Engagement and Communications Considerations:
9. Human Resource Implications:
10. Procurement Implications:
11. Information Technology Implications:
12. Other Implications:

Recommendation:

That Council adopt the Executive Summary Report on Revenues and Expenditures for the year ended December 31, 2021.

Prepared by: Kris Connors, Manager – Budget & Treasury

Approved by: Derek Coffey, Deputy City Manager – Finance & Administration

Report Approval Details

Document Title:	Report on Revenue and Expenditure for Fiscal 2021.docx
Attachments:	- 2021 Executive Summary Report on Revenue and Expenditure.pdf
Final Approval Date:	Jul 21, 2022

This report and all of its attachments were approved and signed as outlined below:

Derek Coffey - Jul 21, 2022 - 11:27 AM