



Report to: General Committee

Meeting Date: May 21, 2019

SUBJECT: 2019 March Year-To-Date Review of Operations
PREPARED BY: Sandra Skelcher, Senior Manager, Financial Planning & Reporting
Matthew Vetere, Manager, Budgeting

RECOMMENDATION:

- 1) THAT the report titled “2019 March Year-To-Date Review of Operations” be received; and,
1. THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Council approved the 2019 annual operating budget of \$395.09M on March 19, 2019 which includes the City’s primary operating budget (including the Library operating budget), Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

This report provides an overview of the 2019 March year-to-date operating results comparing actual to budget.

Primary Operating Budget (Appendix 1)

(Includes Library and winter maintenance, excludes Planning & Design, Engineering, Building Standards and Waterworks)

All figures (actual, budget and variance) reflect the year-to-date March results (January 1 to March 31).

(\$ in millions)	<u>YTD March 2019</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Revenues	\$96.14	\$94.86	\$1.28
Expenses	\$73.04	\$74.31	\$1.27
Surplus excluding winter maintenance	\$23.10	\$20.55	\$2.55
Winter Maintenance	\$8.47	\$7.46	(\$1.01)
Net surplus including winter maintenance	<u>\$14.63</u>	<u>\$13.09</u>	<u>\$1.54</u>

City's Surplus excluding winter maintenance

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Investment income	\$0.88	M	Salaries & benefits	(\$0.05)	M
Property tax penalty and interest	\$0.17	M	Utilities and Streetlight hydro	\$0.38	M
Theatre, Art Centre and Museum revenue	\$0.14	M	Corporate contingency	\$0.31	M
Recreation services revenue	\$0.13	M	Professional services/ office supplies/ training/ travel	\$0.14	M
Legal fees	\$0.04	M	Operating materials & supplies	\$0.14	M
Federal and Provincial grants	\$0.03	M	Maintenance & repairs	\$0.08	M
Financial administrative fees	(\$0.11)	M	Insurance	\$0.07	M
Other	\$0.00	M	Waste collection	\$0.07	M
			Other	\$0.13	M
Total	\$1.28	M	Total	\$1.27	M

Winter Maintenance

The 2019 actual winter maintenance expenditures at the end of the March totaled \$8.47M against a budget of \$7.46M, resulting in an unfavourable variance of \$1.01M.

Planning & Design (Appendix 3)

Actual (\$0.52M) – Budget \$0.12M = Unfavourable variance (\$0.64M)

Engineering (Appendix 4)

Actual (\$0.16M) – Budget (\$0.70M) = Favourable variance \$0.54M

Building Standards (Appendix 5)

Actual (\$1.08M) – Budget (\$0.91M) = Unfavourable variance (\$0.17M)

Waterworks (Appendix 6)

Actual \$0.96M – Budget \$0.98M = Unfavourable variance (\$0.02M)

Further details are provided on pages 9-12.

PURPOSE:

To report on the year-to-date actual 2019 operating budget results versus the budgeted 2019 operating budget as at March 31, 2019.

BACKGROUND:

Council approved the 2019 annual operating budget of \$395.09M on March 19, 2019 which includes the City's primary operating budget (including the Library operating budget), Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

The Planning & Design, Engineering, Building Standards and Waterworks operating budgets are primarily user fee funded, including planning and engineering fees, building

permit fees and water billings. Separate reserves have been established to support the department's day-to-day operations and capital programs.

The year to date operating budget is calendarized based on available current year information, historical spending patterns and trends and future projections. The intent and focus of this report is to communicate actual performance against the annual plan and to highlight variances.

All budgets are monitored on a monthly basis and departments provide details of material variances (actual to budget). The variances are reviewed, substantiated and summarized by the Financial Planning department.

This report provides a variance analysis by:

1. City's primary operating budget by Commission/Department; and
2. City's primary operating budget by major accounts

DISCUSSION:

1. CITY'S PRIMARY OPERATING BUDGET BY COMMISSION/DEPARTMENT

Net results (revenues – expenses) for the three months ended March 31, 2019 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 7 to 12.

The following table is a summary of all commissions year-to-date March results (\$ in millions):

<u>Commission</u>	<u>YTD Mar 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	\$1.18	\$1.32	\$0.14
Community & Fire Services (excl. winter maintenance)	\$21.55	\$21.94	\$0.39
Corporate Services	\$5.30	\$5.38	\$0.08
Development Services	\$1.87	\$2.04	\$0.17
Mayor & Council	\$0.78	\$0.82	\$0.04
Corporate Items	(\$53.80)	(\$52.07)	\$1.73
Net Expense/ (Revenue) excl. winter maintenance	(\$23.12)	(\$20.57)	\$2.55

Explanations for variances greater than \$0.05M by each Commission and Department are provided on the following pages.

CAO's Office, Human Resources and Legal Department (Appendix 7)

<u>Department</u>	<u>YTD Mar 2019</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	\$0.18	\$0.19	\$0.01
Human Resources	\$0.63	\$0.68	\$0.05
Legal	\$0.37	\$0.45	\$0.08
Net Expense	\$1.18	\$1.32	\$0.14

Human Resources (Actual \$0.63M – Budget \$0.68M = Variance \$0.05M)

Favourable variance of \$0.05M is mainly due to a year-to-date average of two temporary net vacancies.

Legal (Actual \$0.37M – Budget \$0.45M = Variance \$0.08M)

Favourable variance of \$0.08M is mainly due to external legal services \$0.05M and higher legal administration fees revenue from development applications \$0.04M.

Community and Fire Services – excluding winter maintenance (Appendix 8)

<u>Department</u>	<u>YTD Mar 2019</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	\$4.27	\$4.58	\$0.31
Fire Services	\$10.57	\$10.38	(\$0.19)
Library	\$3.86	\$3.94	\$0.08
Recreation Services	\$0.87	\$0.88	\$0.01
Environmental Services	\$0.23	\$0.29	\$0.06
Waste	\$1.70	\$1.80	\$0.10
Commissioner's Office	\$0.05	\$0.07	\$0.02
Net Expense	\$21.55	\$21.94	\$0.39

Operations (Actual \$4.27M – Budget \$4.58M = Variance \$0.31M)

Favourable variance mainly due to a year-to-date average of seven temporary net vacancies \$0.18M, facility and other asset maintenance \$0.07M, streetlight hydro \$0.05M.

Fire Services (Actual \$10.57M – Budget \$10.38M = Variance (\$0.19M))

Unfavourable variance mainly due to full year budgeted salary gapping (\$0.15M) and overtime & shift premiums (\$0.06M) partially offset by operating materials & supplies (e.g. uniforms, program and medical supplies) \$0.04M.

Library (Actual \$3.86M – Budget \$3.94M = Variance \$0.08M)

Favourable variance mainly program registration fee revenue \$0.03M, program expenses and materials \$0.01M and building maintenance \$0.01M.

Environmental Services (Actual \$0.23M – Budget \$0.29M = Variance \$0.06M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.05M.

Waste (Actual \$1.70M – Budget \$1.80M = Variance \$0.10M)

Favourable variance mainly due to lower apartment waste collection charges \$0.05M and program expenses \$0.02M.

Corporate Services (Appendix 9)

<u>Department</u>	<u>YTD Mar 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services & Corporate Communications	\$0.96	\$0.82	(\$0.14)
Financial Services	\$0.94	\$0.97	\$0.03
ITS	\$2.41	\$2.48	\$0.07
Sustainability & Asset Management	\$0.89	\$1.00	\$0.11
Commissioner's Office	\$0.10	\$0.11	\$0.01
<u>Net Expense</u>	<u>\$5.30</u>	<u>\$5.38</u>	<u>\$0.08</u>

Legislative Services & Corporate Communications (Actual \$0.96M – Budget \$0.82M = Variance (\$0.14M))

Unfavourable variance mainly due to corporate sponsorship (\$0.08M) and part-time salaries (\$0.08M) due to additional training and call volume in the Contact Centre related to winter maintenance and program registration.

ITS (Actual \$2.41M – Budget \$2.48M = Variance \$0.07M)

Favourable variance mainly due to a year-to-date average of four temporary net vacancies \$0.10M partially offset by full year salary gapping (\$0.03M).

Sustainability & Asset Management (Actual \$0.89M – Budget \$1.00M = Variance \$0.11M)

Favourable variance mainly due to the timing of the facility maintenance contract payment of \$0.05M and the fluctuations in solar revenue caused by seasonality of \$0.04M.

Development Services (Appendix 10)

<u>Department</u>	<u>YTD Mar 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Culture & Economic Development	\$1.20	\$1.29	\$0.09
Traffic Operations	\$0.39	\$0.44	\$0.05
Commissioner's Office	\$0.28	\$0.31	\$0.03
<u>Net Expense</u>	<u>\$1.87</u>	<u>\$2.04</u>	<u>\$0.17</u>

Culture & Economic Development (Actual \$1.20M – Budget \$1.29M = Variance \$0.09M)

Favourable variance mainly due to Theatre ticket sales and sponsorships \$0.11M and Economic Development federal and provincial grants \$0.04M partially offset by related part-time salaries (\$0.05M).

Traffic Operations (Actual \$0.39M – Budget \$0.44M = Variance \$0.05M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.03M and professional services (school crossing guard) \$0.01M.

Mayor & Council (Appendix 11)

<u>Department</u>	<u>YTD Mar 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Mayor & Council	\$0.78	\$0.82	\$0.04
Net Expense	\$0.78	\$0.82	\$0.04

Mayor & Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel costs such as FCM and AMO annual conferences and Councillor discretionary budgets. The YTD variance is mainly due to Councillor discretionary budgets.

Corporate Items (Appendix 12)

<u>Department</u>	<u>YTD Mar 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	(\$53.80)	(\$52.07)	\$1.73
Net Revenue	(\$53.80)	(\$52.07)	\$1.73

Favourable variance mainly due to higher investment income \$0.88M, lower than budgeted corporate contingency of \$0.31M, utilities and streetlight hydro budgeted savings \$0.21M, property tax penalty and interest \$0.17M, and insurance \$0.07M. As discussed through the 2019 budget process, investment income is anticipated to be favourable at year-end due to a higher Prime Rate which may not be sustainable in future years. Any investment income in excess of the budget (\$11.00M) will be transferred to reserves at year-end.

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS (excl. winter maintenance)

At the end of March, the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$2.55M and the breakdown is as follows:

REVENUES

At the end of March, revenues totalled \$96.14M against a budget of \$94.86M resulting in a favourable variance of \$1.28M or 101.3% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 77.26 M	\$ 77.26 M	\$ 0.00 M
General Revenues	\$ 7.66 M	\$ 6.64 M	\$ 1.02 M
User Fees & Service Charges	\$ 9.01 M	\$ 8.57 M	\$ 0.44 M
Grant & Subsidy Revenues	\$ 0.47 M	\$ 0.43 M	\$ 0.04 M
Other Income	\$ 1.74 M	\$ 1.96 M	(\$ 0.22 M)
Net Variance	\$ 96.14 M	\$ 94.86 M	\$ 1.28 M

Property Taxation Revenues (Actual \$77.26M – Budget \$77.26M = Variance \$0.00M)
Property taxation revenue YTD budget includes the property tax levy.

General Revenues (Actual \$7.66M – Budget \$6.64M = Variance \$1.02M)

The general revenues YTD budget of \$6.64M includes investment income (budget \$2.75M), property tax penalty and interest (budget \$1.29M), parking fines (budget \$0.79M) and business, taxi, marriage and other licences (budget \$0.82M).

General revenues also include Alectra interest and dividends (YTD budget \$0.95M) with a corresponding transfer in expenditures to the Life Cycle Replacement and Capital Reserve Fund. At year-end, a net \$1.00M is retained in the Operating Budget from Alectra interest and dividends.

YTD general revenues totaled \$7.66M at the end of March against a YTD budget of \$6.64M. The main drivers for the favourable variance of \$1.02M are investment income of \$0.88M resulting from a higher than budgeted rate of return and property tax penalty and interest \$0.17M. As discussed through the 2019 budget process, investment income is anticipated to be favourable at year-end due to a higher Prime Rate which may not be sustainable in future years. Any investment income in excess of the budget (\$11.00M) will be transferred to reserves at year-end.

User Fees and Service Charges (Actual \$9.01M – Budget \$8.57M = Variance \$0.44M)

The user fees and services charges YTD budget of \$8.57M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$5.70M), and facility rentals for arenas, pools, gym and halls (budget \$2.75M).

User fees and service charges were favourable by \$0.44M, the main drivers of which were higher Theatre ticket sales and sponsorships \$0.11M, Recreation facility rental revenues \$0.11M, timing of property rental revenue \$0.09M, and legal administration fees revenue from development applications \$0.04M.

Grants & Subsidy Revenues (Actual \$0.47M – Budget \$0.43M = Variance \$0.04M)
The YTD budget includes Provincial and Federal grants of \$0.43M. The favourable variance of \$0.04M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$1.74M – Budget \$1.96M = Variance (\$0.22M))
The unfavourable variance of (\$0.22M) is mainly due to the financial administrative fee on development agreements (\$0.11M) and the loss on USD exchange rates (\$0.11M).

PERSONNEL EXPENDITURES

At the end of March, personnel expenditures were unfavourable by (\$0.05M) or spending of 100.1% of the year-to-date budget.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 35.73 M	\$ 35.86 M	\$ 0.13 M
Overtime and other personnel costs	\$ 0.75 M	\$ 0.57 M	(\$ 0.18 M)
Total	\$ 36.48 M	\$ 36.43 M	(\$ 0.05 M)

At the end of March, there were 29 net temporary vacancies resulting in a favourable variance of \$1.02M. This was partially offset by an unfavourable variance in part-time salaries of (\$0.44M) and full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$0.13M.

Overtime and other personnel costs were unfavourable by (\$0.18M).

NON-PERSONNEL EXPENDITURES

At the end of March, non-personnel expenditures were favourable by \$1.32M or spending of 96.5% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 1.10 M	\$ 1.33 M	\$ 0.23 M
Purchased Services	\$ 9.38 M	\$ 10.17 M	\$ 0.79 M
Transfers to Reserves	\$ 25.66 M	\$ 25.63 M	(\$ 0.03 M)
Other Expenditures	\$ 0.42 M	\$ 0.75 M	\$ 0.33 M
Total	\$ 36.56 M	\$ 37.88 M	\$ 1.32 M

Materials & Supplies (Actual \$1.10M – Budget \$1.33M = Variance \$0.23M)
Materials & supplies YTD budget of \$1.33M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.66M), vehicle supplies such

as fuel and repair parts (budget \$0.40M), and printing and office supplies (budget \$0.12M).

The favourable variance of \$0.23M is primarily due to operating materials and supplies \$0.14M (e.g. uniforms, equipment and program expenses), fuel (gas and diesel) \$0.04M and botanical supplies \$0.03M.

Purchased Services (Actual \$9.38M – Budget \$10.17M = Variance \$0.79M)

Purchased services YTD budget of \$10.17M includes utilities and streetlight hydro (budget \$2.95M), waste collection (budget \$2.02M), insurance (budget \$1.82M), maintenance & repairs of City assets (budget \$1.43M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.84M).

Purchased Services were favourable \$0.79M primarily due to:

- \$0.38M favourable in utilities and streetlight hydro due to lower than budgeted rates
- \$0.12M favourable in professional fees, training, and travel (excl. office supplies of \$0.02M which is included under materials & supplies)
- \$0.08M favourable in maintenance and repairs (utility locates, streetlight maintenance)
- \$0.07M favourable in insurance
- \$0.07M favourable in waste collection due to lower apartment collection charges

Transfers to Reserves (Actual \$25.66M – Budget \$25.63M = Variance (\$0.03M))

The majority of funds are transferred to the Life Cycle and Capital Reserve Fund.

Other Expenditures (Actual \$0.42M – Budget \$0.75M = Variance \$0.33M)

Other expenditures YTD budget of \$0.75M includes contingency expense and non-personnel ramp ups \$0.71M. Year to date variance of \$0.33M is mainly due to lower corporate contingency expenditures of \$0.31M.

Winter Maintenance

The 2019 actual winter maintenance expenditures at the end of the March totaled \$8.47M against a budget of \$7.46M, resulting in an unfavourable variance of \$1.01M.

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;
3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

The five winter maintenance contracts have a fixed cost component of 37% and variable cost component of 63%. The fixed costs (standby costs) are charged throughout the winter months whether or not services are rendered in order to cover the contractor's capital costs.

The variable costs are based on service hours provided.

The winter maintenance expenditures were unfavourable by \$1.01M as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav./(Unfav.)</u>
Sidewalk (per unit of equipment)	380 hrs	260 hrs	(120) hrs \$ (0.68) M
Tandem (per unit of equipment)	241 hrs	180 hrs	(61) hrs \$ (0.31) M
Loader (per unit of equipment)	98 hrs	126 hrs	27 hrs \$ 0.15 M
Grader (per unit of equipment)	99 hrs	133 hrs	35 hrs \$ 0.26 M
Salt & Sand	20,474 tonnes	15,415 tonnes	(5,059) tonnes \$ (0.19) M
Part-time & overtime costs			\$ (0.43) M
Other winter maintenance costs			\$ 0.18 M
Winter maintenance unfavourable variance			\$ (1.01) M

Planning & Design (Appendix 3)

Actual (\$0.52M) – Budget \$0.12M = Unfavourable variance (\$0.64M)

At the end of March, the Planning department had a deficit of (\$0.52M) against a budgeted surplus of \$0.12M. The unfavourable variance of (\$0.64M) was mainly due to lower than budgeted planning and design fees of (\$0.99M) partially offset by lower personnel costs of \$0.33M from a year-to-date average of nine temporary net vacancies.

Engineering (Appendix 4)

Actual (\$0.16M) – Budget (\$0.70M) = Favourable variance \$0.54M

At the end of March, the Engineering Department had a deficit of (\$0.16M) against a budgeted deficit of (\$0.70M). The favourable variance of \$0.54M was mainly due to higher than budgeted Engineering fees.

Building Standards (Appendix 5)

Actual (\$1.08M) – Budget (\$0.91M) = Unfavourable variance (\$0.17M)

At the end of March, the Building Standards department had a deficit of (\$1.08M) against a budgeted deficit of (\$0.91M). The unfavourable variance of (\$0.17M) was mainly due to lower building permit fees than budgeted of (\$0.18M).

Waterworks (Appendix 6)

Actual \$0.96M – Budget \$0.98M = Unfavourable variance (\$0.02M)
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At the end of March, the Waterworks department had a surplus of \$0.96M against a budgeted surplus of \$0.98M. The main drivers for the unfavourable variance of (\$0.02M) were as follows:

- Higher than budgeted purchase of water (\$0.40M) resulting from increased sale of water and higher non-revenue water (NRW) is offset by higher than budgeted sale of water \$0.30M, resulting in net sales and purchase of (\$0.10M). Year-to-date February average actual non-revenue water (NRW) was 12% (NRW budgeted at 11%).
- Lower revenues resulting in an unfavourable variance of (\$0.10M) due primarily to lower water meter installation fees and developer fees for services
- Lower non-personnel costs resulting in a favourable variance of \$0.14M due to lower operating and water, sewer and roadwork materials and supplies costs.

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month and provide a year-end projection (including year-end accounting accruals and other adjustments) as part of the June 2019 year-to-date review of operations to be brought forward to General Committee in September 2019.

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 12:](#)

Appendix 1 – Primary Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 2 – Library Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 4 – Engineering Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 5 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 6 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2019

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2019 – CAO's Office, Human Resources and Legal Department

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2019 – Community and Fire Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2019 – Corporate Services

Appendix 10 – Variances by Commission and Department for the three months ended March 31, 2019 – Development Services

Appendix 11 – Variances by Commission and Department for the three months ended March 31, 2019 – Mayor & Council

Appendix 12 – Variances by Commission and Department for the three months ended March 31, 2019 – Corporate Items