



Report to: General Committee

Meeting Date: September 16, 2019

SUBJECT: 2019 July Year-To-Date Review of Operations and Year-end Projection
PREPARED BY: Sandra Skelcher, Senior Manager, Financial Planning and Reporting
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RECOMMENDATION:

1. That the report titled “2019 July Year-To-Date Review of Operations and Year-end Projection” be received; and
2. That the year-end surplus, if any, will be transferred to reserves as per policy in the order outlined below:
 - a. Corporate Rate Stabilization Reserve to top up to a level equivalent to 15% of local tax levies
 - b. Remaining, if any, to the Life Cycle Replacement and Capital Reserve Fund, and, further,
3. 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 July year-to-date operating results comparing actual to budget and a forecast of the year-end results against the annual operating 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 July results (January 1 to July 31).

| (\$ in millions) | YTD July 2019 | | Variance | % of |
|---|----------------|----------------|----------------|--------|
| | Actual | Budget | fav./ (unfav.) | Budget |
| Revenues | \$185.49 | \$182.19 | \$3.30 | 101.8% |
| Expenses | \$131.16 | \$133.86 | \$2.70 | 98.0% |
| Surplus excluding winter maintenance | \$54.33 | \$48.33 | \$6.00 | |
| Winter Maintenance | \$8.48 | \$7.52 | (\$0.96) | |
| Net surplus including winter maintenance | \$45.85 | \$40.81 | \$5.04 | |

City's Surplus excluding winter maintenance

The major variances are outlined in the chart below (\$ in millions):

| Revenues | Fav. / (Unfav.) | Expenditures | Fav. / (Unfav.) |
|--|-----------------|---|-----------------|
| Investment income | \$2.15 M | Salaries & benefits | \$0.49 M |
| Property tax penalty and interest | \$0.34 M | Corporate contingency | \$0.66 M |
| Parking fines | \$0.28 M | Utilities and Streetlight hydro | \$0.65 M |
| Theatre, Art Centre and Museum revenue | \$0.09 M | Professional services/ office supplies/ training/ travel | \$0.25 M |
| Recreation services revenue | \$0.09 M | Insurance | \$0.21 M |
| Federal and Provincial grants | \$0.06 M | Operating materials & supplies | \$0.17 M |
| Legal fees | \$0.04 M | Maintenance & repairs | \$0.10 M |
| Financial administrative fees | (\$0.18) M | | |
| Other | \$0.43 M | Other | \$0.17 M |
| Total | \$3.30 M | Total | \$2.70 M |

Winter Maintenance

The 2019 actual winter maintenance expenditures at the end of the July totaled \$8.48M against a budget of \$7.52M, resulting in an unfavourable variance of \$0.96M.

Year-End Projection including year-end accounting accruals and other adjustments

Staff are projecting year-end results at 100.1% of the revenue budget and 97.7% of the expenditure budget.

This will result in a net favourable variance of 1.2% to budget.

| Projected Year-End Variance | |
|---|-----------------------|
| | Fav./ (Unfav.) |
| 1. Primary operating budget (day-to-day operations) | \$ 5.33 M |
| 2. Year-end accounting accruals and other adjustments | \$ (0.86) M |
| Total | \$ 4.48 M |
| 3. Winter maintenance unfavourable variance | \$ (1.72) M |
| Net Surplus | \$ 2.75 M |

The main drivers for the projected favourable variance in expenditures include 30 net temporary vacancies, facility and streetlight hydro expenses due to lower than budgeted rates, maintenance and repairs, professional services, office supplies, travel, training, and corporate contingencies. Those are partially offset by unfavourable variances in part-time salaries, fire overtime, advertising and promotion and fuel.

Major contributors to the projected revenue favourability at year-end include higher property tax penalty and interest, parking fines, and cultural venue revenues, offset by unfavourable variances in Recreation mainly due to the shutdown of the Milliken Pool from July to December in 2019.

As discussed through the 2019 budget process and in the Q1 investment income report, the 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 \$11.0M budget will be transferred to reserves. Therefore, the \$2.76M projected favourability has been excluded from the year-end forecast.

The City's year-end accounting accruals and other adjustments include firefighter sick leave, severance and salary continuance, post-retirement benefits, and payroll accruals. The 2019 year-end accounting accruals and other adjustments are projected to be unfavourable by \$0.86M.

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end unfavourable variance of \$1.72M, using an assumption of 30% unfavourability for the last six weeks of the year based on historical trending.

Planning & Design (Appendix 3)

Actual (\$0.60M) – Budget \$1.29M = Unfavourable variance (\$1.89M)

Year-End Projection:

Planning & Design is projecting a year-end deficit of (\$1.62M) compared to a budgeted surplus of \$2.71M. This will result in a transfer from reserve of \$1.62M. Lower than expected planning fee receipts drive the deficit projection, which is only partially offset

by a projection of favourability in personnel, assuming the continuation of 4 net average vacancies through to year-end.

Engineering (Appendix 4)

Actual (\$0.43M) – Budget \$0.53M = Favourable variance (\$0.96M)

Year-End Projection:

Engineering is expecting the year-to-date deficit to continue down to (\$1.14M) by year-end, compared to a budgeted surplus of \$0.07M. This will result in a transfer from reserve of \$1.14M primarily due to lower volumes of engineering fees than budgeted.

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$2.73M) at year-end (see Appendix 5).

Building Standards (Appendix 6)

Actual (\$2.09M) – Budget (\$1.08M) = Unfavourable variance (\$1.01M)

Year-End Projection:

Staff are projecting a year-end deficit of (\$2.26M) compared to a budgeted deficit of \$1.38M. This will result in a transfer from reserve of \$2.26M. The variance is due to lower building permit fees than budgeted.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$10.48M at year-end (see Appendix 7).

Waterworks (Appendix 8)

Actual \$7.51M – Budget \$7.59M = Unfavourable variance (\$0.08M)

Year-End Projection:

Waterworks is anticipating to be on budget by year-end.

The Waterworks reserve balance is projected to be \$64.73M at year-end (see Appendix 9).

PURPOSE:

The purpose of this report is to advise Council of the actual year-to-date operating results at July 31, 2019, versus the year-to-date budget.

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 billing revenues. Separate reserves have been established to support these departments' day-to-day operations and capital programs.

The year-to-date operating budget is calendared 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 variance analyses 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 seven months ended July 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 July results (\$ in millions):

| <u>Commission</u> | <u>YTD Jul 2019</u> | | <u>Variance</u> |
|--|---------------------|-------------------|-----------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./ (unfav.)</u> |
| CAO's Office, Human Resources and Legal | \$ 3.16 | \$ 3.31 | \$ 0.15 |
| Community & Fire Services (excl. winter maintenance) | \$ 54.54 | \$ 55.24 | \$ 0.70 |
| Corporate Services | \$ 11.96 | \$ 12.40 | \$ 0.44 |
| Development Services | \$ 3.97 | \$ 4.26 | \$ 0.29 |
| Mayor & Council | \$ 1.65 | \$ 1.77 | \$ 0.12 |
| Corporate Items | \$(129.61) | \$(125.31) | \$ 4.30 |
| Net Expense/ (Revenue) | \$ (54.33) | \$ (48.33) | \$ 6.00 |

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 10)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|--------------------------|----------------------------|----------------------|-----------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./(unfav.)</u> |
| CAO's Office | \$ 0.43 | \$ 0.44 | \$ 0.01 |
| Human Resources | \$ 1.76 | \$ 1.83 | \$ 0.07 |
| Legal | \$ 0.97 | \$ 1.04 | \$ 0.07 |
| Net Expense | \$ 3.16 | \$ 3.31 | \$ 0.15 |

Human Resources (Actual \$1.76M – Budget \$1.83M = Variance \$0.07M)

Favourable variance of \$0.07M is mainly due to a year-to-date average of two temporary net vacancies.

Legal (Actual \$0.97M – Budget \$1.04M = Variance \$0.07M)

Favourable variance of \$0.07M is mainly due to lower than expected external legal services expenses by \$0.05M and higher legal administration fees revenue from development applications \$0.05M.

Community and Fire Services – excluding winter maintenance (Appendix 11)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|--------------------------|----------------------------|----------------------|-----------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./(unfav.)</u> |
| Operations | \$ 12.78 | \$ 13.56 | \$ 0.78 |
| Fire Services | \$ 23.00 | \$ 22.40 | \$ (0.60) |
| Library | \$ 7.90 | \$ 8.28 | \$ 0.38 |
| Recreation Services | \$ 5.33 | \$ 5.16 | \$ (0.17) |
| Environmental Services | \$ 0.45 | \$ 0.57 | \$ 0.12 |
| Waste | \$ 4.81 | \$ 4.94 | \$ 0.13 |
| Commissioner's Office | \$ 0.27 | \$ 0.33 | \$ 0.06 |
| Net Expense | \$ 54.54 | \$ 55.24 | \$ 0.70 |

Operations (Actual \$12.78M – Budget \$13.56M = Variance \$0.78M)

Favourable variance mainly due to a year-to-date average of five temporary net vacancies \$0.41M, facility and other asset maintenance \$0.21M, streetlight hydro \$0.03M.

Fire Services (Actual \$23.00M – Budget \$22.40M = Variance (\$0.60M))

Unfavourable variance mainly due to over-complement of 10 net positions (\$0.48M), full year budgeted salary gapping (\$0.15M) and overtime & shift premiums (\$0.07M) partially offset by operating materials & supplies (e.g. uniforms, program and medical supplies) \$0.06M.

Library (Actual \$7.90M – Budget \$8.28M = Variance \$0.38M)

Favourable variance mainly due to a year-to-date average of five temporary net vacancies \$0.26M, program registration fee revenue \$0.04M, program expenses and materials \$0.01M and building maintenance \$0.03M.

Recreation Services (Actual \$5.33M – Budget \$5.16M = Variance (\$0.17M))

Unfavourable variance mainly due planned closure of Milliken pool beginning in July for change room renovations (\$0.26M) offset by Camps revenue \$0.09M.

Environmental Services (Actual \$0.45M – Budget \$0.57M = Variance \$0.12M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.10M.

Waste (Actual \$4.81M – Budget \$4.94M = Variance \$0.13M)

Favourable variance mainly due to lower apartment waste collection charges \$0.09M and program expenses \$0.02M.

Corporate Services (Appendix 12)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|-----------------------------------|----------------------------|------------------------|-----------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./(unfav.)</u> |
| Legislative Services & Corporate | | | |
| Communications | \$ 2.65 | \$ 2.50 | \$ (0.15) |
| Financial Services | \$ 2.18 | \$ 2.29 | \$ 0.11 |
| ITS | \$ 4.97 | \$ 5.18 | \$ 0.21 |
| Sustainability & Asset Management | \$ 1.94 | \$ 2.19 | \$ 0.25 |
| Commissioner's Office | \$ 0.22 | \$ 0.24 | \$ 0.02 |
| <u>Net Expense</u> | <u>\$ 11.96</u> | <u>\$ 12.40</u> | <u>\$ 0.44</u> |

Legislative Services & Corporate Communications (Actual \$2.65M – Budget \$2.50M = Variance (\$0.15M))

Unfavourable variance mainly due to part-time salaries (\$0.15M) due to additional parking enforcement/control for special events and to maintain 24 hour shift coverage.

Financial Services (Actual \$2.18M – Budget \$2.29M = Variance \$0.11M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.14M partially offset by ownership change fees (\$0.06M).

ITS (Actual \$4.97M – Budget \$5.18M = Variance \$0.21M)

Favourable variance mainly due to a year-to-date average of four temporary net vacancies \$0.19M

Sustainability & Asset Management (Actual \$1.94M – Budget \$2.19M = Variance \$0.25M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.19M.

Development Services (Appendix 13)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|--------------------------------|----------------------------|----------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./ (unfav.)</u> |
| Culture & Economic Development | \$ 2.46 | \$ 2.52 | \$ 0.06 |
| Traffic Operations | \$ 0.87 | \$ 1.05 | \$ 0.18 |
| Commissioner's Office | \$ 0.64 | \$ 0.69 | \$ 0.05 |
| Net Expense | \$ 3.97 | \$ 4.26 | \$ 0.29 |

Culture & Economic Development (Actual \$2.46M – Budget \$2.52M = Variance \$0.06M)

Favourable variance mainly due to Theatre ticket sales and sponsorships \$0.12M and Economic Development federal and provincial grants \$0.03M partially offset by related part-time salaries (\$0.09M).

Traffic Operations (Actual \$0.87M – Budget \$1.05M = Variance \$0.18M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.06M and professional services (school crossing guard) \$0.11M.

Mayor & Council (Appendix 14)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|--------------------------|----------------------------|----------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./ (unfav.)</u> |
| Mayor & Council | \$ 1.65 | \$ 1.77 | \$ 0.12 |
| Net Expense | \$ 1.65 | \$ 1.77 | \$ 0.12 |

Mayor & Council includes personnel costs for all Members of Council and Councillor Assistants and Councillor discretionary budgets.

Corporate Items (Appendix 15)

| <u>Department</u> | <u>YTD Jul 2019</u> | | Variance |
|--------------------------|----------------------------|----------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>fav./ (unfav.)</u> |
| Corporate Items | \$(129.61) | \$(125.31) | \$ 4.30 |
| Net Revenue | \$(129.61) | \$(125.31) | \$ 4.30 |

Favourable variance mainly due to higher investment income \$2.15M, lower than budgeted corporate contingency of \$0.66M, utilities of \$0.61M, property tax penalty and

interest \$0.34M, and insurance \$0.21M. As discussed through the 2019 budget process and in the Q1 investment income report, the 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 \$11.0M budget will be transferred to reserves.

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

At the end of July the actual operating results, excluding winter maintenance, netted a favourable variance of \$5.39M. The breakdown is as follows:

REVENUES

At the end of July, revenues totalled \$185.49M against a budget of \$182.19M resulting in a favourable variance of \$3.30M or 101.8% of the year-to-date budget.

| <u>Revenues</u> | <u>Actual</u> | <u>Budget</u> | <u>Fav./(Unfav.)</u> |
|-----------------------------|----------------------|----------------------|-----------------------------|
| Property Taxation Revenues | \$ 145.91 M | \$ 145.80 M | \$ 0.11 M |
| General Revenues | \$ 16.92 M | \$ 14.28 M | \$ 2.64 M |
| User Fees & Service Charges | \$ 18.36 M | \$ 18.02 M | \$ 0.34 M |
| Grant & Subsidy Revenues | \$ 0.93 M | \$ 0.88 M | \$ 0.05 M |
| Other Income | \$ 3.37 M | \$ 3.21 M | \$ 0.16 M |
| Net Variance | \$ 185.49 M | \$ 182.19 M | \$ 3.30 M |

Property Taxation Revenues (Actual \$145.91M – Budget \$145.80M = Variance \$0.11M)
Property taxation revenue YTD budget includes property tax levy.

General Revenues (Actual \$16.92M – Budget \$14.28M = Variance \$2.64M)

The general revenues YTD budget of \$14.28M includes investment income (budget \$8.37M), property tax penalty and interest (budget \$2.52M), parking fines (budget \$1.90M) and business, taxi, marriage and other licences (budget \$1.50M).

General revenues also include Alectra interest and dividends (YTD budget \$1.94M) 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.

Year-to-date general revenues totaled \$16.92M at the end of July against a budget of \$14.28M. The main drivers for the favourable variance of \$2.64M are investment income of \$2.15M resulting from a higher than expected rate of return and property tax penalty and interest \$0.34M. As discussed through the 2019 budget process and in the Q1 investment income report, the 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 \$11.0M budget will be transferred to reserves.

User Fees and Service Charges (Actual \$18.36M – Budget \$18.02M = Variance \$0.34M)

The user fees and services charges budget of \$18.02M includes revenues from programs offered by the 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 \$12.34M), and facility rentals for arenas, pools, gym and halls (budget \$5.68M).

User fees and service charges were favourable by \$0.34M, the main drivers of which were higher Theatre ticket sales and sponsorships \$0.18M, timing of property rental revenue \$0.19M, and legal administration fees revenue from development applications \$0.05M.

Grants & Subsidy Revenues (Actual \$0.93M – Budget \$0.88M = Variance \$0.05M)

The YTD budget includes Provincial and Federal grants of \$0.88M. The favourable variance of \$0.05M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$3.37M – Budget \$3.21M = Variance \$0.16M)

The favourable variance of \$0.16M is mainly due to gain on US exchange \$0.14M.

PERSONNEL EXPENDITURES

At the end of July, personnel expenditures were favourable by \$0.46M or spending of 99.4% 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 | \$ 75.68 M | \$ 76.46 M | \$ 0.78 M |
| Overtime and other personnel costs | \$ 1.43 M | \$ 1.11 M | (\$ 0.32 M) |
| Total | \$ 77.11 M | \$ 77.57 M | \$ 0.46 M |

At the end of July, there were 30 net temporary full-time vacancies resulting in a favourable variance of \$1.46M. This was partially offset by an unfavourable variance in part-time salaries of (\$0.23M) and full year budgeted salary gapping of (\$0.45M), netting a favourable variance of \$0.78M.

Overtime and other personnel costs were unfavourable by (\$0.32M).

NON-PERSONNEL EXPENDITURES

At the end of July, non-personnel expenditures were favourable by \$2.24M or spending of 96.0% of the year-to-date budget.

| <u>Non Personnel Items</u> | <u>Actual</u> | <u>Budget</u> | <u>Fav./(Unfav.)</u> |
|-----------------------------------|----------------------|----------------------|-----------------------------|
| Materials & Supplies | \$ 3.17 M | \$ 3.38 M | \$ 0.21 M |
| Purchased Services | \$ 22.47 M | \$ 24.02 M | \$ 1.55 M |
| Transfers to Reserves | \$ 27.04 M | \$ 26.69 M | (\$ 0.35 M) |
| Other Expenditures | \$ 1.37 M | \$ 2.20 M | \$ 0.83 M |
| Total | \$ 54.05 M | \$ 56.29 M | \$ 2.24 M |

Materials & Supplies (Actual \$3.17M – Budget \$3.38M = Variance \$0.21M)

Materials & supplies year-to-date budget of \$3.38M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$1.56M), vehicle supplies such as fuel and repair parts (budget \$1.07M), and printing and office supplies (budget \$0.28M).

The favourable variance of \$0.21M is primarily due to operating materials and supplies \$0.17M (e.g. uniforms, equipment and program expenses), construction materials (traffic signs, steel, gravel) \$0.05M and botanical supplies \$0.02M.

Purchased Services (Actual \$22.47M – Budget \$24.02M = Variance \$1.55M)

Purchased services year-to-date budget of \$24.02M includes utilities and streetlight hydro (budget \$6.53M), waste collection (budget \$6.58M), insurance (budget \$2.18M), maintenance & repairs of City assets (budget \$3.26M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.70M).

Purchased Services were favourable \$1.55M primarily due to:

- \$0.61M favourable in utilities and streetlight hydro due to lower than budgeted rates
- \$0.25M favourable contract service agreements including grass cutting and traffic signal maintenance
- \$0.25M favourable in professional fees, training, and travel (excl. office supplies which is included under materials & supplies)
- \$0.21M favourable in insurance
- \$0.10M favourable in maintenance and repairs (utility locates, streetlight maintenance)
- \$0.06M favourable in waste collection due to lower apartment collection charges

Transfers to Reserves (Actual \$27.04M – Budget \$26.69M = Variance (\$0.35M))

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

Other Expenditures (Actual \$1.37M – Budget \$2.20M = Variance \$0.83M)

Other expenditures YTD budget of \$2.20M includes contingency expense and non-personnel ramp ups \$1.09M and property tax adjustments \$0.63M. Year-to-date variance of \$0.83M is mainly due to lower corporate contingency expenditures of \$0.66M

3. YEAR-END PROJECTION INCLUDING YEAR-END ACCOUNTING ACCRUALS AND OTHER ADJUSTMENTS

| Projected Year-End Variance | |
|---|---------------------|
| | Fav./Unfav.) |
| 1. Primary operating budget (day-to-day operations) | \$ 5.33 M |
| 2. Year-end accounting accruals and other adjustments | \$ (0.86) M |
| Total | \$ 4.48 M |
| 3. Winter maintenance unfavourable variance | \$ (1.72) M |
| Net Surplus | \$ 2.75 M |

Staff are projecting a \$2.75M favourable variance to budget at year-end (including winter maintenance), 1.2% of the total year budget.

The net favourable surplus of \$2.75M is to be transferred to reserves as follows in the order as outlined below:

- a. Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy as per City policy;
- b. Remaining surplus, if any, to the Life Cycle Replacement and Capital Reserve Fund.

There are several one-time items affecting the City's 2019 year-end projection of \$4.48M. These items are either one-time revenues or expenses incurred or expected in 2019. In some cases, budgets will be adjusted in the 2020 budget where needed. They have been summarized below:

- \$2.43M favourable in corporate contingency (Budget \$2.56M, 1.1% of the City's Operating Budget of \$233.04M)
- \$1.14M favourable in personnel expenditures primarily due to temporary net vacancies (average 30 net temporary vacancies out of the total tax funded full-time complement of 891, or 3.4% of the full-time complement)
- \$1.05M favourable in facility and streetlight hydro (2020 budget incremental increase is not required for the projected 2020 rate increase)
- \$0.56M favourable in penalty and interest due to higher than anticipated overdue property tax payments (2020 budget to be adjusted)
- \$0.37M favourable in property taxes due to a property reclassification
- (\$0.25M) unfavourable in supplementary taxes netting a \$0.12M favourable variance
- (\$0.86M) unfavourable variance due to year-end accounting accruals and other adjustments

Total: \$4.44M

Based on the projected year-end variance of \$4.48M (excluding winter maintenance), after adjusting for the above items totaling \$4.44M and the transfer to the Corporate Rate

Stabilization Reserve of approximately \$0.78M in order to maintain it at 15% of the local tax levy, the City's projected surplus (including year-end accounting accruals and other adjustments) will be depleted.

Winter Maintenance

Winter maintenance operations is projected to have a year-end unfavourable variance of \$1.72M, using an assumption of 30% unfavourability for the last six weeks of the year based on historical trending.

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

Planning & Design (Appendix 3)

Actual (\$0.60M) – Budget \$1.29M = Unfavourable variance (\$1.89M)

At the end of July, the Planning department had a deficit of (\$0.60M) against a budgeted surplus of \$1.29M. The unfavourable variance of (\$1.89M) was mainly due to lower than budgeted planning and design fees of (\$2.81M) partially offset by lower personnel costs of \$0.89M from a year-to-date average of eleven temporary net vacancies.

Engineering (Appendix 4)

Actual (\$0.43M) – Budget \$0.53M = Unfavourable variance (\$0.96M)

At the end of July, the Engineering Department had a deficit of (\$0.43M) against a budgeted surplus of \$0.53M. The unfavourable variance of (\$0.96M) was mainly due to lower than budgeted Engineering fees (\$1.29M) partially offset by lower personnel costs of \$0.26M from a year-to-date average of three temporary net vacancies.

Building Standards (Appendix 6)

Actual (\$2.09M) – Budget (\$1.08M) = Unfavourable variance (\$1.01M)

At the end of July, the Building Standards department had a deficit of (\$2.09M) against a budgeted deficit of (\$1.08M). The unfavourable variance of (\$1.01M) was mainly due to lower building permit fees than budgeted of (\$1.27M) partially offset by lower personnel costs of \$0.18M from a year-to-date average of three temporary net vacancies.

Waterworks (Appendix 8)

Actual \$7.51M – Budget \$7.59M = Unfavourable variance (\$0.08M)

At the end of July, the Waterworks department had a surplus of \$7.51M against a budgeted surplus of \$7.59M. The main drivers for the unfavourable variance of (\$0.08M) were as follows:

- Lower than budgeted sale of water (\$0.90M) is offset partially by lower purchase of water \$0.68M, resulting in net sales and purchase of (\$0.22M). Year-to-date June average actual non-revenue water (NRW) was 11.7% (NRW budgeted at 11%).
- Lower revenues resulting in an unfavourable variance of (\$0.13M) due primarily to lower water meter installation fees and developer fees for services
- Lower non-personnel costs resulting in a favourable variance of \$0.28M due to lower water, sewer and roadwork materials and supplies costs.

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month, and provide an updated year-end projection as part of the September 2019 year-to-date review of operations to be brought forward to General Committee in November 2019.

RECOMMENDED

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:**[Appendices 1 to 15](#)**

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

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

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

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

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at September 30, 2018

Appendix 6 – Building Standards Operating Budget - Financial Results for the Seven Months Ended July 31, 2019

Appendix 7 – Building Fee Reserve Balance as at September 30, 2018

Appendix 8 – Waterworks Operating Budget - Financial Results for the Seven Months Ended July 31, 2019

Appendix 9 – Waterworks Reserve Balance as at September 30, 2018

Appendix 10 – Variances by Commission and Department for the Seven Months Ended July 31, 2019 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the Seven Months Ended July 31, 2019 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the Seven Months Ended July 31, 2019 – Corporate Services

Appendix 13 – Variances by Commission and Department for the Seven Months Ended July 31, 2019 – Development Services

Appendix 14 – Variances by Commission and Department for the Seven months ended July 31, 2019 – Mayor & Council

Appendix 15 – Variances by Commission and Department for the Seven months ended July 31, 2019 – Corporate Items