



Report to: General Committee

Meeting Date: November 18, 2019

SUBJECT: 2019 September Year-To-Date Review of Operations and Year-end Projection

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RECOMMENDATION:

- 1) That the report titled “2019 September Year-To-Date Review of Operations and Year-end Projection” be received; and,
- 2) That the year-end surplus, if any, be transferred to reserves, as per policy, in the order outlined below:
 - a. Corporate Rate Stabilization Reserve at a level equivalent to 15% of local tax levies;
 - b. Remaining surplus, 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 September year-to-date operating results comparing actual to budget and a forecast of the year-end results against the annual operating budget.

a) Primary Operating Budget Year-to Date (Appendix 1)

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

All actual, budget and variance figures reflect the year-to-date September results (January 1 to September 30).

(\$ in millions)	YTD September 2019		Variance	% of
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	\$214.87	\$210.33	\$4.54	102.2%
Expenses	\$164.37	\$167.75	\$3.38	98.0%
Surplus excluding winter maintenance	\$50.50	\$42.58	\$7.92	
Winter Maintenance	\$8.48	\$7.52	(\$0.96)	
Net surplus including winter maintenance	\$42.02	\$35.06	\$6.96	

City's Surplus excluding winter maintenance

The major year-to-date variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Investment income	\$3.17 M	Salaries & benefits	\$0.40 M
Property tax penalty and interest	\$0.54 M	Utilities and Streetlight hydro	\$0.97 M
Tax Levies	\$0.37 M	Corporate contingency	\$0.96 M
Parking fines	\$0.22 M	Professional services/ office supplies/ training/ travel	\$0.30 M
Payments in Lieu	\$0.16 M	Property Tax Adjustments	\$0.23 M
Federal and Provincial grants	\$0.06 M	Insurance	\$0.22 M
Recreation services revenue	(\$0.11) M	Operating materials & supplies	\$0.16 M
Supplementary taxes	(\$0.24) M	Maintenance & repairs	\$0.10 M
Financial administrative and legal fees	(\$0.29) M	Other	\$0.04 M
Theatre, Art Centre and Museum revenue	(\$0.05) M	Total	\$3.38 M
Other	\$0.71 M		
Total	\$4.54 M		

Winter Maintenance

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

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

The City is projecting to achieve 100.2% of the revenue budget and 97.4% of the expenditure budget.

This will result in a favourable variance of 1.6% to budget.

Projected Year-End Variance	
	<u>Fav./(Unfav.)</u>
1. Primary operating budget (day-to-day operations)	\$ 6.35 M
2. Year-end accounting accruals and other adjustments	\$ (0.86) M
Total	\$ 5.49 M
3. Winter maintenance unfavourable variance	\$ (1.72) M
Net Surplus	\$ 3.77 M

The main driver for the projected favourable variance is due to 32 net temporary vacancies, lower expenditures in hydro and streetlight hydro due to lower than budgeted rates, maintenance and repairs, professional services, office supplies, travel, training, and corporate contingencies, offset partially by unfavourable variances in part-time salaries, fire overtime, advertising and promotion, fuel and gasoline.

Other contributing drivers to a lesser extent on the revenue projection 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 September to December in 2019.

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. 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 firefighters' sick leave, severance and salary continuance, post-retirement benefits, and payroll accrual. The 2019 year-end accounting accruals and other adjustments are estimated at a net cost of (\$0.86M).

The year-end projection provided in the July operating results report, indicated a \$2.75M surplus. Staff are now projecting a \$3.77M surplus, increasing the favourability by \$1.02M.

The main contributors to the change include higher favourability in utilities and streetlight maintenance, an increase in temporary vacancies and employee benefit favourability, and property tax levies and adjustments.

The projected variances for winter maintenance and the year-end accounting accruals and other adjustments remain the same as those provided in July.

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

c) Planning & Design (Appendix 3)

YTD: Actual (\$1.38M) – Budget \$1.60M = Unfavourable variance (\$2.98M)

At the end of September, the Planning department had a deficit of \$1.38M against a budgeted surplus of \$1.60M. The unfavourable variance of (\$2.98M) was mainly due to lower than budgeted planning and design fees of (\$4.15M) partially offset by lower personnel costs of \$1.14M from a year-to-date average of 11 temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end deficit of \$2.22M against a budgeted surplus of \$2.08M. Comparatively, the July projection was a year-end deficit of \$1.62M, an unfavourable difference of \$0.60M. The change is due to lower than expected planning fees partially offset by favourable personnel variances. This will result in a transfer from reserve of \$2.22M.

d) Engineering (Appendix 4)

YTD: Actual (\$0.66M) – Budget (\$0.01M) = Unfavourable variance (\$0.65M)

At the end of September, the Engineering Department had a deficit of \$0.65M against a budgeted surplus of \$0.01M. The unfavourable variance of (\$0.64M) was mainly due to lower than budgeted Engineering fees (\$1.11M) partially offset by lower personnel costs of \$0.40M from a year-to-date average of 3 temporary net vacancies.

Year-End Projection:

Engineering is projecting a year-end deficit of \$1.25M compared to a budgeted surplus of \$0.68M. Comparatively, the July projection was a year-end deficit of \$2.73M, a favourable difference of \$1.48M. The change is due to an increase in engineering fees. This will result in a transfer from reserve of \$1.25M.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of \$3.44M at year-end (see Appendix 5).

e) Building Standards (Appendix 6)

YTD: Actual (\$2.83M) – Budget (\$1.10M) = Unfavourable variance (\$1.73M)

At the end of September, the Building Standards department had a deficit of \$2.82M against a budgeted deficit of \$1.09M. The unfavourable variance of (\$1.73M) was mainly due to lower building permit fees than budgeted of (\$2.12M) partially offset by lower personnel costs of \$0.30M from a year-to-date average of 3 temporary net vacancies.

Year-End Projection:

Staff is projecting a year-end deficit of \$2.26M compared to a budgeted deficit of \$1.38M. There is no change from the July year-end projection. The resulting year-end transfer from reserve will be \$2.26M against the budgeted transfer amount of \$1.38M. 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).

f) Waterworks (Appendix 8)

YTD: Actual \$11.52M – Budget \$11.16M = Favourable variance \$0.36M

At the end of September, the Waterworks department had a surplus of \$11.52M against a budgeted surplus of \$11.16M. The main drivers for the unfavourable variance of \$0.36M were as follows:

- Higher than budgeted sale of water \$0.50M is offset partially by higher purchase of water (\$0.37M), resulting in net sales and purchase of \$0.13M. 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 (\$0.20M) due primarily to lower water meter installation fees and developer fees for services
- Lower non-personnel costs resulting in a favourable variance of \$0.43M due to lower water, sewer and roadwork materials and supplies costs.

Year-End Projection:

Based on the September year-to-date results, Waterworks is projecting to be on budget by year-end. There is no change from the July year-end projection.

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

PURPOSE:

To report on the year-to-date actual 2019 operating budget results versus the budgeted 2019 operating budget as at September 30, 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 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 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 nine months ended September 30, 2019 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 10 to 15.

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

<u>Commission</u>	<u>YTD Sep 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	\$ 4.15	\$ 4.42	\$ 0.27
Community & Fire Services (excl. winter maintenance)	\$ 73.10	\$ 73.46	\$ 0.36
Corporate Services	\$ 15.90	\$ 16.50	\$ 0.60
Development Services	\$ 5.54	\$ 5.43	\$ (0.11)
Mayor & Council	\$ 2.16	\$ 2.33	\$ 0.17
Corporate Items	\$ (151.35)	\$ (144.72)	\$ 6.63
Net Expense/ (Revenue)	\$ (50.50)	\$ (42.58)	\$ 7.92

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 Sep 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	\$ 0.55	\$ 0.60	\$ 0.05
Human Resources	\$ 2.29	\$ 2.41	\$ 0.12
Legal	\$ 1.31	\$ 1.41	\$ 0.10
Net Expense	\$ 4.15	\$ 4.42	\$ 0.27

Human Resources (Actual \$2.29M – Budget \$2.41M = Variance \$0.12M)

Favourable variance of \$0.12M is mainly due to a year-to-date average of 2 temporary net vacancies and lower legal services than budgeted.

Legal (Actual \$1.31M – Budget \$1.41M = Variance \$0.10M)

Favourable variance of \$0.10M 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 11)

<u>Department</u>	<u>YTD Sep 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	\$ 18.07	\$ 18.92	\$ 0.85
Fire Services	\$ 30.72	\$ 29.87	\$ (0.85)
Library	\$ 9.71	\$ 10.09	\$ 0.38
Recreation Services	\$ 7.38	\$ 6.96	\$ (0.42)
Environmental Services	\$ 0.66	\$ 0.77	\$ 0.11
Waste	\$ 6.15	\$ 6.37	\$ 0.22
Commissioner's Office	\$ 0.41	\$ 0.48	\$ 0.07
Net Expense	\$ 73.10	\$ 73.46	\$ 0.36

Operations (Actual \$18.07M – Budget \$18.92M = Variance \$0.85M)

Favourable variance mainly due to a year-to-date average of 5 temporary net vacancies \$0.43M, facility and other asset maintenance \$0.37M, streetlight hydro \$0.01M.

Fire Services (Actual \$30.72M – Budget \$29.87M = Variance (\$0.85M))

Unfavourable variance mainly due to YTD over complement of 10 net positions (\$0.53M), full year budgeted salary gapping (\$0.15M) and overtime & shift premiums (\$0.25M) partially offset by operating materials & supplies (e.g. uniforms, program and medical supplies) \$0.04M.

Library (Actual \$9.71M – Budget \$10.09M = Variance \$0.38M)

Favourable variance mainly due to a year-to-date average of 5 temporary net vacancies \$0.29M, program registration fee revenue \$0.01M, service agreements \$0.03M and building maintenance \$0.03M.

Recreation Services (Actual \$7.38M – Budget \$6.96M = Variance (\$0.42M))

The unfavourable variance is mainly due to the planned closure of Milliken pool beginning in September for change room renovations (\$0.55M), facility maintenance (\$0.22M) offset by favourable revenue in fitness \$0.16M, programs \$0.13M and camps \$0.09M

Environmental Services (Actual \$0.66M – Budget \$0.77M = Variance \$0.11M)

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

Waste (Actual \$6.15M – Budget \$6.37M = Variance \$0.22M)

Favourable variance mainly due to lower apartment waste collection charges \$0.16M and public education supplies \$0.02M.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD Sep 2019</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Legislative Services & Corporate Communications	\$ 3.75	\$ 3.62	\$ (0.13)
Financial Services	\$ 3.08	\$ 3.26	\$ 0.18
ITS	\$ 6.17	\$ 6.43	\$ 0.26
Sustainability & Asset Management	\$ 2.60	\$ 2.87	\$ 0.27
Commissioner's Office	\$ 0.30	\$ 0.32	\$ 0.02
<u>Net Expense</u>	<u>\$ 15.90</u>	<u>\$ 16.50</u>	<u>\$ 0.60</u>

Legislative Services & Corporate Communications (Actual \$3.75M – Budget \$3.62M = Variance (\$0.13M))

Unfavourable variance mainly due to part-time salaries (\$0.31M) due to additional parking enforcement/control for special events and to maintain 24 hour shift coverage offset by parking fines \$0.22M.

Financial Services (Actual \$3.08M – Budget \$3.26M = Variance \$0.18M)

Favourable variance mainly due to a year-to-date average of 2 temporary net vacancies \$0.21M partially offset by ownership change fees (\$0.07M).

ITS (Actual \$6.17M – Budget \$6.43M = Variance \$0.26M)

Favourable variance mainly due to a year-to-date average of 4 temporary net vacancies \$0.26M

Sustainability & Asset Management (Actual \$2.60M – Budget \$2.87M = Variance \$0.27M)

Favourable variance mainly due to a year-to-date average of 4 temporary net vacancies \$0.20M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD Sep 2019</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	\$ 3.53	\$ 3.22	\$ (0.31)
Traffic Operations	\$ 1.15	\$ 1.28	\$ 0.13
Commissioner's Office	\$ 0.86	\$ 0.93	\$ 0.07
<u>Net Expense</u>	<u>\$ 5.54</u>	<u>\$ 5.43</u>	<u>\$ (0.11)</u>

Culture & Economic Development (Actual \$3.53M – Budget \$3.22M = Variance (\$0.31M))

Unfavourable variance mainly due to part time salaries (\$0.30M) and lower Museum and Art Centre Revenue (\$0.07M), partially offset by Theatre ticket sales \$0.05M.

Traffic Operations (Actual \$1.15M – Budget \$1.28M = Variance \$0.13M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.08M and professional services (school crossing guard) \$0.03M.

Mayor & Council (Appendix 14)

<u>Department</u>	<u>YTD Sep 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Mayor & Council	2.16	2.33	0.17
Net Expense	2.16	2.33	0.17

Mayor & Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel and Councillor discretionary budgets. The YTD variance is due to Councillor discretionary budgets.

Corporate Items (Appendix 15)

<u>Department</u>	<u>YTD Sep 2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	\$ (151.35)	\$ (144.72)	\$ 6.63
Net Revenue	\$ (151.35)	\$ (144.72)	\$ 6.63

Favourable variance mainly due to higher investment income \$3.17M, lower than budgeted corporate contingency of \$0.96M, utilities and street light hydro \$0.97M, property tax penalty and interest \$0.54M, and insurance \$0.22M. 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 September the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$7.92M and the breakdown is as follows:

a) REVENUES

At the end of September, revenues totalled \$214.87M against a budget of \$210.33M resulting in a favourable variance of \$4.54M or 102.2% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 161.96 M	\$ 161.68 M	\$ 0.28 M
General Revenues	\$ 22.48 M	\$ 18.65 M	\$ 3.83 M
User Fees & Service Charges	\$ 24.79 M	\$ 24.82 M	(\$ 0.03 M)
Grant & Subsidy Revenues	\$ 1.31 M	\$ 1.26 M	\$ 0.05 M
Other Income	\$ 4.33 M	\$ 3.92 M	\$ 0.41 M
Net Variance	\$ 214.87 M	\$ 210.33 M	\$ 4.54 M

Property Taxation Revenues (Actual \$161.96M – Budget \$161.68M = Variance \$0.28M)
Property taxation revenue YTD budget includes the full year 2019 property tax levy.

General Revenues (Actual \$22.48M – Budget \$18.65M = Variance \$3.83M)

The general revenues YTD budget of \$18.65M includes investment income (budget \$11.10M), property tax penalty and interest (budget \$3.30M), parking fines (budget \$2.44M) and business, taxi, marriage and other licences (budget \$1.79M).

General revenues also include Alectra interest and dividends (YTD budget \$2.91M) 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 \$22.48M at the end of September against a YTD budget of \$18.65M. The main drivers for the favourable variance of \$3.83M are investment income of \$3.17M resulting from a higher than budgeted rate of return and property tax penalty and interest \$0.53M. 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.

User Fees and Service Charges (Actual \$24.79M – Budget \$24.82M = Variance (\$0.03M))

The user fees and services charges YTD budget of \$24.82M includes revenues from programs offered by the Recreation, Culture Services and Library departments, as well as service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$17.53M), and facility rental fees for arenas, pools, gym and halls (budget \$6.81M).

User fees and service charges were unfavourable by \$0.03M, the main drivers of which were lower aquatics fees offset by higher fitness and program fees.

Grants & Subsidy Revenues (Actual \$1.31M – Budget \$1.26M = Variance \$0.05M)

The YTD budget includes Provincial and Federal grants of \$1.26M. The favourable variance of \$0.05M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$4.33M – Budget \$3.92M = Variance \$0.41M)

The favourable variance of \$0.41M is mainly due to gain on miscellaneous recoveries \$0.18M.

b) PERSONNEL EXPENDITURES

At the end of September, personnel expenditures were favourable by \$0.40M or spending of 99.6% 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	\$ 100.51 M	\$ 101.38 M	\$ 0.87 M
Overtime and other personnel costs	\$ 1.86 M	\$ 1.39 M	(\$ 0.47 M)
Total	\$ 102.37 M	\$ 102.77 M	\$ 0.40 M

At the end of September, there were 32 net temporary vacancies resulting in a favourable variance of \$1.45M. This was partially offset by an unfavourable variance in part-time salaries of (\$0.60M) and full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$0.40M.

Overtime and other personnel costs were unfavourable by (\$0.47M).

c) NON-PERSONNEL EXPENDITURES

At the end of September, non-personnel expenditures were favourable by \$2.98M or spending of 95.4% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 4.21 M	\$ 4.38 M	\$ 0.17 M
Purchased Services	\$ 28.11 M	\$ 30.09 M	\$ 1.98 M
Transfers to Reserves	\$ 28.13 M	\$ 27.70 M	(\$ 0.43 M)
Other Expenditures	\$ 1.55 M	\$ 2.81 M	\$ 1.26 M
Total	\$ 62.00 M	\$ 64.97 M	\$ 2.98 M

Materials & Supplies (Actual \$4.21M – Budget \$4.38M = Variance \$0.17M)

Materials & supplies YTD budget of \$4.38M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.03M), vehicle supplies such as fuel and repair parts (budget \$1.38M), and printing and office supplies (budget \$0.34M).

The favourable variance of \$0.17M is primarily due to operating materials and supplies \$0.15M (e.g. uniforms, equipment and program expenses), construction materials (traffic signs, steel, gravel) \$0.02M and botanical supplies \$0.03M.

Purchased Services (Actual \$28.13M – Budget \$30.09M = Variance \$1.98M)

Purchased services YTD budget of \$30.09M includes utilities and streetlight hydro (budget \$8.54M), waste collection (budget \$8.79M), insurance (budget \$2.33M), maintenance & repairs of City assets (budget \$4.18M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$2.09M).

Purchased Services were favourable \$1.98M primarily due to:

- \$0.97M favourable in utilities \$0.73M and streetlight hydro \$0.24M
- \$0.24M favourable in professional fees, training, and travel (excl. office supplies which is included under materials & supplies)
- \$0.22M favourable in insurance
- \$0.17M favourable contract service agreements including grass cutting and traffic signal maintenance
- \$0.10M favourable in maintenance and repairs (utility locates, streetlight maintenance)
- \$0.10M favourable in waste collection

Transfers to Reserves (Actual \$28.13M – Budget \$27.70M = Variance (\$0.43M))

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

Other Expenditures (Actual \$1.55M – Budget \$2.81M = Variance \$1.26M)

Other expenditures YTD budget of \$2.81M includes contingency expense and non-personnel ramp ups \$1.34M and property tax adjustments \$0.76M. Year to date variance of \$1.26M is mainly due to lower corporate contingency expenditures of \$0.96M

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

Staff are projecting a 1.6% favourable variance to budget at year-end (including winter maintenance).

Projected Year-End Variance	
	<u>Fav./ (Unfav.)</u>
1. Primary operating budget (day-to-day operations)	\$ 6.35 M
2. Year-end accounting accruals and other adjustments	\$ (0.86) M
Total	\$ 5.49 M
3. Winter maintenance unfavourable variance	\$ (1.72) M
Net Surplus	\$ 3.77 M

The main driver for the projected favourable variance is due to lower expenditures in utilities and streetlight hydro due to lower than budgeted rates, 32 net temporary vacancies, maintenance and repairs, professional services, office supplies, travel, training, and

corporate contingencies, offset partially by unfavourable variances in part-time salaries, fire overtime, advertising and promotion, fuel and gasoline.

Contributing drivers in the revenue projection include higher property tax penalty and interest, parking fines, and cultural venue revenues, offset by unfavourable variances in Recreation, mainly due to the closure of the Milliken Pool from September to December 2019.

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. 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 the required top-up to the firefighters' sick leave reserve (as per the latest actuarial valuation to the year 2021), severance and salary continuance payments, post-retirement benefits, and payroll accruals. The 2019 year-end accounting accruals and other adjustments have been estimated at a net cost of (\$0.86M).

Of the projected \$5.49M favourable year-end variance, winter maintenance is projected to be unfavourable by (\$1.72M) which will net a favourable surplus of \$3.77M.

The projected net favourable surplus of \$3.77M will be transferred to reserves, as per policy, in the order outlined below:

- a. Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
- 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, as summarized below. 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.

- \$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 primarily due to temporary net vacancies (average 32 net temporary vacancies out of the total tax funded full-time complement of 891, or 3.5% of the full-time complement)
- \$1.30M favourable in hydro and streetlight hydro (no incremental increase in the 2020 budget required for the projected 2020 rate increase)
- \$0.68M favourable in penalty and interest due to higher than anticipated overdue property tax payments (2020 budget to be adjusted)
- (\$0.70M) unfavourable Recreation revenue due to Milliken pool closure
- (\$0.50M) unfavourable variance in Finance admin and legal fees

-
- (\$0.86M) unfavourable variance due to year-end accounting accruals and other adjustments

Total: \$3.49M

Based on the projected year-end variance of \$3.77M, after adjusting for the above items 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 is expected to be fully depleted.

Winter Maintenance

Winter maintenance operations is projected to have a year-end unfavourable variance of (\$1.72M), based on an assumption of 30% unfavourable variance 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)

YTD: Actual (\$1.38M) – Budget \$1.60M = Unfavourable variance (\$2.98M)

At the end of September, the Planning department had a deficit of \$1.38M against a budgeted surplus of \$1.60M. The unfavourable variance of (\$2.98M) was mainly due to lower than budgeted planning and design fees of (\$4.15M) partially offset by lower personnel costs of \$1.14M from a year-to-date average of 11 temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end deficit of \$2.22M compared to a budgeted surplus of \$2.08M. This will result in a transfer from reserve of \$2.22M (an unfavourable variance to budget of \$4.30M). The projected deficit is due to lower planning fees partially offset by favourable personnel variances due to continuation of 4 net average vacancies to year-end.

Engineering (Appendix 4)

YTD: Actual (\$0.66M) – Budget (\$0.01M) = Unfavourable variance (\$0.65M)

At the end of September, the Engineering Department had a deficit of \$0.65M against a budgeted surplus of \$0.01M. The unfavourable variance of (\$0.64M) was mainly due to

lower than budgeted Engineering fees (\$1.11M) partially offset by lower personnel costs of \$0.40M from a year-to-date average of 3 temporary net vacancies.

Year-End Projection:

Engineering is projecting a year-end deficit of \$1.25M compared to a budgeted surplus of \$0.68M. This will result in a transfer from reserve of \$1.25M primarily due to lower engineering fees than budgeted.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of \$3.44M at year-end (see Appendix 5).

Building Standards (Appendix 6)

YTD: Actual (\$2.83M) – Budget (\$1.10M) = Unfavourable variance (\$1.73M)

At the end of September, the Building Standards department had a deficit of \$2.82M against a budgeted deficit of \$1.09M. The unfavourable variance of (\$1.73M) was mainly due to lower building permit fees than budgeted of (\$2.12M) partially offset by lower personnel costs of \$0.30M from a year-to-date average of 3 temporary net vacancies.

Year-End Projection:

Staff is 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 which is higher than the budgeted deficit of \$1.38M. 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)

YTD: Actual \$11.52M – Budget \$11.16M = Favourable variance \$0.36M

At the end of September, the Waterworks department had a surplus of \$11.52M against a budgeted surplus of \$11.16M. The main drivers for the unfavourable variance of \$0.36M were as follows:

- Higher than budgeted sale of water \$0.50M is offset partially by higher purchase of water (\$0.37M), resulting in net sales and purchase of \$0.13M. 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 (\$0.20M) due primarily to lower water meter installation fees and developer fees for services
- Lower non-personnel costs resulting in a favourable variance of \$0.43M due to lower water, sewer and roadwork materials and supplies costs.

Year-End Projection:

Based on the September year-to-date results, Waterworks is projecting to be on budget by year-end.

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

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

X

Joel Lustig
Treasurer

X

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 15:](#)

Appendix 1 – Primary Operating Budget - Financial Results for the Seven Months Ended September 30, 2019

Appendix 2 – Library Operating Budget - Financial Results for the Seven Months Ended September 30, 2019

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Seven Months Ended September 30, 2019

Appendix 4 – Engineering Operating Budget - Financial Results for the Seven Months Ended September 30, 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 September 30, 2019

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

Appendix 8 – Waterworks Operating Budget - Financial Results for the Seven Months Ended September 30, 2019

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

Appendix 10 – Variances by Commission and Department for the Seven Months Ended September 30, 2019 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the Seven Months Ended September 30, 2019 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the Seven Months Ended September 30, 2019 – Corporate Services

Appendix 13 – Variances by Commission and Department for the Seven Months Ended September 30, 2019 – Development Services

Appendix 14 – Variances by Commission and Department for the Seven months ended September 30, 2019 – Mayor & Council

Appendix 15 – Variances by Commission and Department for the Seven months ended September 30, 2019 – Corporate Items