



Report to: General Committee

Meeting Date: April 20, 2020

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**SUBJECT:** 2019 Year-End Results of Operations  
**PREPARED BY:** Sandra Skelcher, Senior Manager, Financial Planning and Reporting  
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**RECOMMENDATION:**

1. That the report titled “2019 Year-End Review of Operations” be received; and,
2. That the City’s 2019 net favourable variance of \$3.04M be transferred to the Corporate Rate Stabilization Reserve; 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, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

This report provides an overview of the 2019 year-end operating results comparing actual to the annual operating budgets.

a) **Primary Operating Budget (Appendix 1)**  
(Excludes Planning & Design, Engineering, Building Standards and Waterworks)

The 2019 operations resulted in a surplus of \$3.04M as shown below:

(\$ in millions)	<b><u>2019</u></b>		<b>Variance</b>	<b>% of</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>	<b><u>Budget</u></b>
Revenues	\$234.33	\$232.90	\$1.43	100.6%
Expenses	<u>216.41</u>	<u>221.17</u>	<u>4.76</u>	97.8%
<b>Subtotal</b>	<b>\$17.92</b>	<b>\$11.73</b>	<b>\$6.19</b>	
Year-End Accounting Accruals & Other Adjustments	<u>3.09</u>	<u>1.69</u>	<u>(1.40)</u>	
<b>Surplus excluding winter maintenance</b>	<b>14.83</b>	<b>10.04</b>	<b>4.79</b>	
Winter Maintenance	<u>\$11.79</u>	<u>\$10.04</u>	<u>(\$1.75)</u>	
<b>Net surplus including winter maintenance</b>	<b><u>\$3.04</u></b>	<b><u>\$0.00</u></b>	<b><u>\$3.04</u></b>	

<b>City’s surplus excluding year-end accounting accruals and other adjustments and winter maintenance = Favourable variance \$6.19M</b>
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The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Property tax penalty and interest	\$0.65	M	Salaries & benefits	\$0.65	M
Tax Levies	\$0.37	M	Corporate contingency	\$2.57	M
Parking fines	\$0.27	M	Utilities and Streetlight hydro	\$1.26	M
Federal and Provincial grants	\$0.23	M	Contract service agreements	\$0.28	M
Utility permit fees	\$0.20	M	Maintenance & repairs	\$0.25	M
Payments in Lieu	\$0.16	M	Professional services/ training/ travel	\$0.21	M
Theatre, Art Centre and Museum revenue	(\$0.12)	M	Property tax adjustments	\$0.12	M
Supplementary taxes	(\$0.20)	M	Vehicle supplies (parts & fuel)	(\$0.18)	M
Recreation services revenue	(\$0.23)	M			
Business & taxi licenses	(\$0.30)	M			
Other	\$0.40	M	Other	(\$0.40)	M
<b>Total</b>	<b>\$1.43</b>	<b>M</b>	<b>Total</b>	<b>\$4.76</b>	<b>M</b>

The September year-to-date report projected a year-end Net surplus of \$3.77M. The actual surplus of \$3.04M is unfavourable by \$0.73M, due mainly to changes in the year-end accounting accruals and other adjustments (Projection \$0.86M unfavourable, Actual \$1.40M unfavourable).

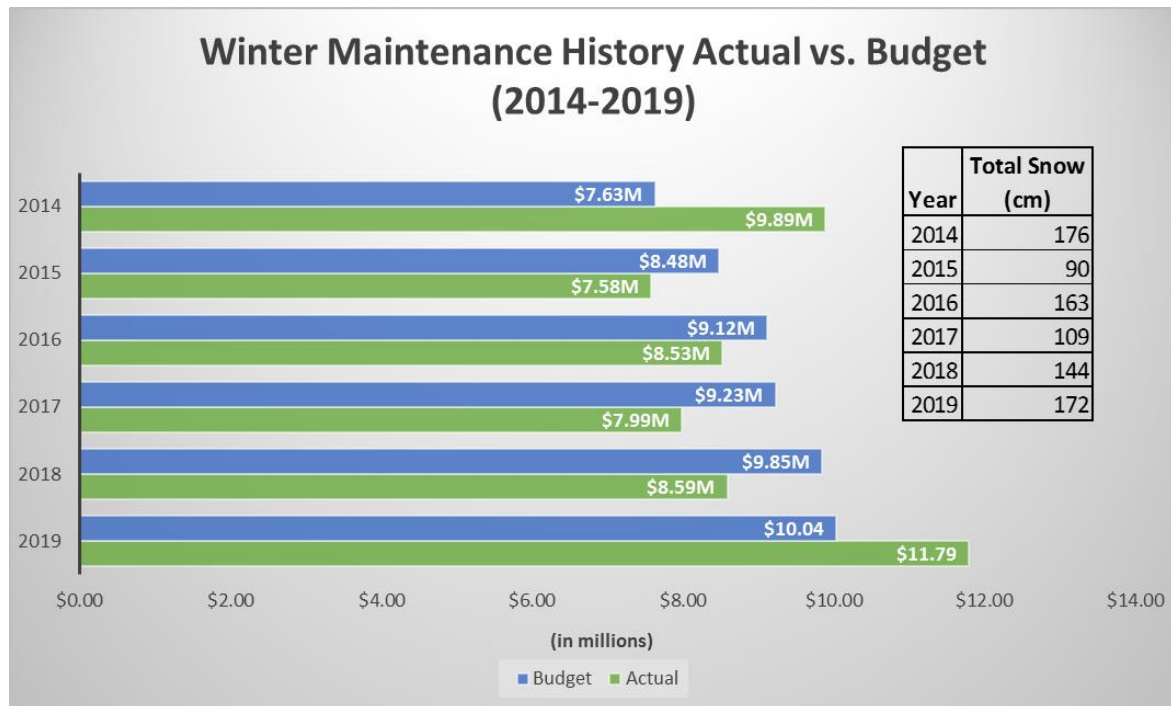
**Year-end accounting accruals and other adjustments = Unfavourable variance (\$1.40M)**

The 2019 year-end accounting accruals and other adjustments totaled \$3.09M against a budget of \$1.69M resulting in an unfavourable variance of (\$1.40M), \$0.71M of which is due to the continuation of the ramp-up in the base budget. The budget is anticipated to be fully ramped up to \$2.44M by 2022. The remaining unfavourable variance of \$0.69M is due to the top-up of employee future benefit reserves, based on actuarial valuations (\$0.44M) and other employee related accruals (\$0.25M). The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accruals.

**Winter maintenance = Unfavourable variance (\$1.75M)**

The 2019 actual winter maintenance expenditures totaled \$11.79M against a budget of \$10.04M, resulting in an unfavourable variance of (\$1.75M).

The exhibit below compares the 6 year historical actuals vs. budget for winter maintenance expenses from 2014-2019 as well as the total snow fall per year as per the Government of Canada's environment and natural resources site.



As the exhibit above shows, the actuals compared to budget have fluctuated over the past 6 years. 2019 experienced the second highest snowfall (172cm) since 2014 and the highest costs of \$11.79M over the six-year history, against a budget of \$10.04M.

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 following chart provides details of the \$1.75M unfavourable variance:

<u>Description</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav./(Unfav.)</u>	
			<u>Hours</u>	<u>\$M</u>
Sidewalk (per unit of equipment)	467 hrs	334 hrs	(133) hrs	(0.89)
Tandem (per unit of equipment)	384 hrs	277 hrs	(107) hrs	(0.50)
Graders and windrows (per unit of equipment)	132 hrs	146 hrs	14 hrs	0.07
Loader (per unit of equipment)	126 hrs	157 hrs	31 hrs	0.14
Salt & Sand	28,603 tonnes	20,153 tonnes	(8,451) tonnes	(0.73)
Part-time & overtime costs				0.04
Other winter maintenance costs				0.12
<b>Winter maintenance favourable variance</b>				<b>(1.75)</b>

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As costs continue to increase based on growth and contract escalations, Staff will continue to monitor the trends to determine whether future adjustments to the winter maintenance budget are necessary.

**b) Planning & Design (Appendix 2)**

Actual (\$0.63M) – Budget \$2.07M = Unfavourable variance (\$2.70M)

Planning & Design incurred a deficit of (\$0.63M) against a budgeted surplus of \$2.07M. The unfavourable variance of \$2.70M was mainly due to lower planning fees partially offset by favourable personnel variances from an average of seven temporary net vacancies.

**c) Engineering (Appendix 3)**

Actual \$0.03M – Budget \$0.67M = Unfavourable variance (\$0.64M)

Engineering incurred a surplus of \$0.03M against a budgeted surplus of \$0.67M. The unfavourable variance of \$0.64M was primarily due to lower engineering fees than budgeted.

**d) Planning & Engineering Development Fee Reserve (Appendix 4)**

The 2019 budget anticipated a surplus of \$2.07M for Planning and a surplus of \$0.67M for Engineering totaling \$2.74M.

The Planning & Design and Engineering departments ended the year with a deficit of (\$0.63M) and a surplus of \$0.03M respectively. A draw from the Reserve of \$0.60M will be made decreasing the balance from \$0.27M to (\$0.52M). The year-end balance includes in-year interest adjustments and capital project funding transfers.

**e) Building Standards (Appendix 5)**

Actual (\$2.51M) – Budget (\$1.38M) = Unfavourable variance (\$1.13M)

The Building Standards department incurred a deficit of (\$2.51M) against a budgeted deficit of (\$1.38M). The unfavourable variance of \$1.13M was mainly due to lower Building permit fees than budgeted.

A draw from the Reserve of \$2.51M will be made decreasing the balance from \$12.94M to \$10.36M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

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**f) Waterworks (Appendix 7)**

Actual \$17.26M – Budget \$15.28M = Favourable variance \$1.98M

The Waterworks department ended 2019 with a surplus of \$17.26M against a budgeted surplus of \$15.28M. The main drivers for the favourable variance of \$1.98M were as follows:

- Lower water purchases due to actual non-revenue water (NRW) of 10.1% (below the budgeted 11%), resulting in a favourable net sales and purchase of \$1.42M;
- Favourable non-personnel variance of \$0.77M due to lower maintenance materials and supplies costs;

A transfer of \$17.26M will be made to the Reserve which is offset by transfers to 2019 capital projects decreasing the balance from \$69.13M to \$68.20M (see Appendix 8).

The 2019 draft consolidated financial statements will be presented to General Committee in April 2020. The year-end results presented in this report are subject to change based on the results of the external audit.

**PURPOSE:**

The purpose of this report is to provide the 2019 year-end actual results of operations versus the 2019 operating budget.

**BACKGROUND:****Operating Budget Controls and Monitoring Process**

On a monthly basis, Finance Staff distribute operating statements to all department Directors. As well, Finance Staff review the results of operations department by department. Based on pre-established variance thresholds, departments are contacted for explanations and to determine mitigating strategies, if required. As well, Finance Staff meet with Directors every quarter to review the department operating results. Finance Staff will advise the Executive Leadership Team (ELT) immediately should significant variances arise

On a quarterly basis, results of operations are reported to General Committee based on March (tabled in May), July (tabled in September), September (tabled in November) and year-end results (tabled in March of the following year). Year-end forecasts are provided in the July and September reports.

This report provides a variance analysis by:

1. City's primary operating budget by Commission/Department
2. City's primary operating budget by major accounts
3. Planning & Design, Engineering, Building Standards and Waterworks operating budgets by Department

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

Net results (revenues less expenses) for the twelve months ended December 31, 2019 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 9 to 14.

The following table is a summary of all commissions' year-end December results excluding year-end accounting accruals and other adjustments and winter maintenance:

<b><u>Commission</u></b>	<b><u>2019</u></b>		<b><u>Variance</u></b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
CAO's Office, Human Resources and Legal	\$ 5.59	\$ 5.90	\$ 0.31
Community & Fire Services (excl. winter maintenance)	\$ 99.83	\$ 99.73	\$ (0.10)
Corporate Services	\$ 20.99	\$ 21.00	\$ 0.01
Development Services	\$ 7.02	\$ 6.69	\$ (0.33)
Mayor & Council	\$ 2.82	\$ 3.04	\$ 0.22
Corporate Items	\$ (154.17)	\$ (148.09)	\$ 6.08
<b>Net Expense/ (Revenue)</b>	<b>\$ (17.92)</b>	<b>\$ (11.73)</b>	<b>\$ 6.19</b>

Explanations for variances greater than \$0.10M by each Commission and Department are provided below.

**CAO's Office, Human Resources, Legal and Sustainability Office (Appendix 9)**

<b><u>Department</u></b>	<b><u>2019</u></b>		<b><u>Variance</u></b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
CAO's Office	\$ 0.72	\$ 0.79	\$ 0.07
Human Resources	\$ 3.16	\$ 3.24	\$ 0.08
Legal	\$ 1.71	\$ 1.87	\$ 0.16
<b>Net Expense</b>	<b>\$ 5.59</b>	<b>\$ 5.90</b>	<b>\$ 0.31</b>

**Legal** (Actual \$1.71M – Budget \$1.87M = Variance \$0.16M)

Favourable variance of \$0.16M is mainly due to expenses towards external legal services and registry fees lower than budgeted by \$0.06M and higher legal administration fees revenue (mainly from development applications) by \$0.10M.

**Community and Fire Services – excluding winter maintenance (Appendix 10)**

<b><u>Department</u></b>	<b><u>2019</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Operations	\$ 24.15	\$ 25.55	\$ 1.40
Fire Services	\$ 40.19	\$ 38.92	\$ (1.27)
Library	\$ 13.05	\$ 13.43	\$ 0.38
Recreation Services	\$ 12.21	\$ 11.22	\$ (0.99)
Environmental Services	\$ 0.88	\$ 0.98	\$ 0.10
Waste	\$ 8.80	\$ 9.00	\$ 0.20
Commissioner's Office	\$ 0.59	\$ 0.67	\$ 0.08
<b>Net Expense</b>	<b>\$ 99.87</b>	<b>\$ 99.77</b>	<b>\$ (0.10)</b>

**Operations** (Actual \$24.15M – Budget \$25.55M = Variance \$1.40M)

Favourable personnel variance of \$0.40M mainly due to an average of five temporary net vacancies in Roads and Operations Admin and a temporary part time vacancy for Parks Renaissance. Other contracted services (including asphalt repairs), favourable \$0.38M. Streetlight maintenance and repairs was favourable by \$0.28M mainly due to ongoing efforts to convert streetlights to LED, thereby reducing maintenance costs (conversion projects). The budget reduction was addressed in the 2020 budget. Utility permit fees were favourable by \$0.20M and utility locates were favourable by \$0.18M. The above favourable variances were partially offset by higher than budgeted vehicle repair costs (\$0.18M).

**Fire Services** (Actual \$40.19M – Budget \$38.92M = Variance (\$1.27M))

Personnel was unfavourable by \$1.19M, including the approved, over-complement positions in the Suppression division (\$0.69M). The over-complement staff are required to cover temporary absences due to, for example, medical, parental and bereavement leaves. Overtime & shift premiums contributed \$0.36M to the unfavourable variance, partially due to the coverage noted above. The remaining unfavourability is attributed to budgeted salary gapping (\$0.15M).

**Library** (Actual \$13.05M – Budget \$13.43M = Variance \$0.38M)

Favourable variance mainly due to an average of two temporary net vacancies and a delay in hiring pages \$0.33M. Unfavourable fines and fees revenues were offset by favourable program registration fees and grants.

**Recreation** (Actual \$12.21M – Budget \$11.22M = Variance (\$0.99M))

Excluding the effect of the Milliken pool closure and one-time maintenance expenses, the net unfavourable variance for the department is \$0.23M.

The closure of the Milliken pool from July to December for change room renovations contributed \$0.54M to the year-end unfavourable variance. Other one-time facility maintenance work for emergency repairs and to meet Technical Standards and Safety Authority (TSSA) requirements added \$0.22M of unfavourability.

Lower ice rental revenue from loss of group allocation hours of \$0.37M was offset by favourable revenue in fitness of \$0.19M, camps \$0.10M and programs \$0.07M. The remaining unfavourable variance, due to rising costs of facility maintenance, has been addressed in the 2020 budget.

**Environmental Services** (Actual \$0.88M – Budget \$0.98M = Variance \$0.10M)  
Favourable variance mainly due to an average of one temporary net vacancy \$0.10M.

**Waste** (Actual \$8.80M – Budget \$9.00M = Variance \$0.20M)  
Favourable variance mainly due to lower municipal facility, garbage and recycling collection charges from lower than budgeted fuel escalation charges \$0.20M.

### **Corporate Services (Appendix 11)**

<b><u>Department</u></b>	<b><u>2019</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
Legislative Services & Corporate Communications	\$ 5.29	\$ 4.55	\$ (0.74)
Financial Services	\$ 4.09	\$ 4.43	\$ 0.34
ITS	\$ 7.64	\$ 7.81	\$ 0.17
Sustainability & Asset Management	\$ 3.58	\$ 3.79	\$ 0.21
Commissioner's Office	\$ 0.39	\$ 0.42	\$ 0.03
<b><u>Net Expense</u></b>	<b><u>\$ 20.99</u></b>	<b><u>\$ 21.00</u></b>	<b><u>\$ 0.01</u></b>

**Legislative Services & Corporate Communications** (Actual \$5.29M – Budget \$4.55M = Variance (\$0.74M))

Unfavourable variance mainly due to part-time salaries (\$0.27M) due to additional parking enforcement/control for special events and to maintain 24 hour shift coverage and lower taxi licenses (\$0.16M) (pending council decision to approve by-law to license private transportation companies). Business licenses were unfavourable by \$0.13M due to timing of renewals (\$0.08M) and lower than anticipated growth (\$0.50M).

Sponsorship revenues were also lower than budget by \$0.11M.

**Financial Services** (Actual \$4.09M – Budget \$4.43M = Variance \$0.34M)  
Favourable variance mainly due to an average of two temporary net vacancies \$0.29M and higher than budgeted overdue property tax notice fees \$0.07M, partially offset by unfavourable ownership change fees (\$0.09M).

**ITS** (Actual \$7.64M – Budget \$7.81M = Variance \$0.17M)  
Favourable variance mainly due to an average of four temporary net vacancies \$0.29M, partially offset by computer software license costs (\$0.13M). The increase in license costs has been addressed in the 2020 budget.

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**Sustainability & Asset Management** (Actual \$3.58M – Budget \$3.79M = Variance \$0.21M)

Favourable variance mainly due to an average of four temporary net vacancies \$0.21M.

**Development Services (Appendix 12)**

<b><u>Department</u></b>	<b><u>2019</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Culture & Economic Development	\$ 4.33	\$ 3.75	\$ (0.58)
Traffic Operations	\$ 1.53	\$ 1.72	\$ 0.19
Commissioner's Office	\$ 1.16	\$ 1.22	\$ 0.06
<b><u>Net Expense</u></b>	<b><u>\$ 7.02</u></b>	<b><u>\$ 6.69</u></b>	<b><u>\$ (0.33)</u></b>

**Culture & Economic Development** (Actual \$4.33M – Budget \$3.75M = Variance (\$0.58M))

Art Centres were unfavourable by \$0.15M: \$0.09M in part time salaries and \$0.08M in revenues from camps and programs, partially offset by a favourable variance of \$0.02 in program support costs.

The Museum was unfavourable by \$0.25M: \$0.20M in part time salaries, \$0.03 in various program and rental revenues and \$0.02M in facility maintenance.

The Theatre was unfavourable by \$0.2M: Personnel costs were unfavourable by \$0.11M, including contract employees. One-time costs for website development and branding added \$0.09M to the unfavourable results. Unfavourable artist fees were offset by favourable revenues.

As the unfavourable variances occurred in the latter part of 2019, an in-depth business analysis of each Culture venue operations is underway in 2020.

**Traffic Operations** (Actual \$1.53M – Budget \$1.72M = Variance \$0.19M)

Favourable variance mainly due to an average of one temporary net vacancy \$0.10M and professional services (school crossing guards) \$0.06M.

**Mayor and Council (Appendix 13)**

<b><u>Department</u></b>	<b><u>2019</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Mayor & Council	\$2.82	\$3.04	\$0.22
<b><u>Net Expense</u></b>	<b><u>\$2.82</u></b>	<b><u>\$3.04</u></b>	<b><u>\$0.22</u></b>

Mayor and Council includes personnel costs for all Members of Council and Councillor Assistants, non-personnel and Councillor discretionary budgets. The year end favourable variance is mainly driven by unspent discretionary budgets.

**Corporate Items (Appendix 14)**

<u>Department</u>	<u>2019</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	\$(154.17)	\$(148.09)	\$ 6.08
<b>Net Revenue</b>	<b>\$(154.17)</b>	<b>\$(148.09)</b>	<b>\$ 6.08</b>

Favourable variances in corporate contingency of \$2.57M, utilities \$1.11M, property tax penalty and interest \$0.65M (2020 budget increased by \$0.12M), tax levies \$0.37M, payments-in-lieu \$0.16M, and property tax adjustments \$0.12M, offset by lower than budgeted supplemental taxes (\$0.20M).

**2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS**

(excl. year-end accounting accruals and other adjustments and winter maintenance)

<u>(\$ in millions)</u>	<u>2019</u>		<u>Variance</u>	<u>% of Budget</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	
Revenues	\$234.33	\$232.90	\$1.43	100.6%
Expenses	\$216.41	\$221.17	\$4.76	97.8%
<b>Surplus excluding winter maintenance</b>	<b>\$17.92</b>	<b>\$11.73</b>	<b>\$6.19</b>	

The 2019 actual operating results, excluding year-end accounting accruals and other adjustments and winter maintenance, against budget netted a favourable variance of \$6.19M (revenue of \$1.43M + expenses of \$4.76M) and the breakdown is as follows:

**a) REVENUES**

*At the end of 2019, revenues totalled \$234.33M against a budget of \$232.90M resulting in a favourable variance of \$1.43M (100.6% of budget).*

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./ (Unfav.)</u>
Property Taxation Revenues	\$ 162.08 M	\$ 161.76 M	\$ 0.32 M
General Revenues	\$ 33.54 M	\$ 33.01 M	\$ 0.53 M
User Fees & Service Charges	\$ 31.10 M	\$ 31.03 M	\$ 0.07 M
Grant & Subsidy Revenues	\$ 2.19 M	\$ 1.96 M	\$ 0.23 M
Other Income	\$ 5.42 M	\$ 5.14 M	\$ 0.28 M
<b>Net Variance</b>	<b>\$ 234.33 M</b>	<b>\$ 232.90 M</b>	<b>\$ 1.43 M</b>

**Property Taxation Revenues** (Actual \$162.08M – Budget \$161.76M = Variance \$0.32M)

Property taxation revenues were favourable by \$0.32M mainly due to tax levies \$0.37M and payments-in-lieu \$0.16M, offset by lower than budgeted supplemental taxes (\$0.20M).

**General Revenues** (Actual \$33.54M – Budget \$33.01M = Variance \$0.53M)

The general revenues budget includes investment income (budget \$23.35M), interest and penalties on property taxes (budget \$4.16M), parking fines (budget \$3.25M), and business, taxi, marriage and other licenses (budget \$2.25M).

General revenues also include Alectra interest and dividends (budget of \$12.32M) 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.

General revenues totaled \$33.54M at the end of December against a budget of \$33.01M. The main drivers for the favourable variance of \$0.53M are interest and penalties on property taxes \$0.65M and parking fines \$0.27M, offset by lower taxi licenses (\$0.16M) (pending council decision to approve by-law to license private transportation companies) and lower business licenses (\$0.13M) due to timing of renewals (\$0.08M) and lower than anticipated growth (\$0.50M).

**User Fees and Service Charges** (Actual \$31.10M – Budget \$31.03M = Variance \$0.07M)

The user fees and services charges budget of \$31.03M includes revenues from programs offered by Recreation, Culture and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$20.54M), and facility rentals for arenas, pools, gym and halls (budget \$9.85M).

User fees and service charges were favourable by \$0.07M mainly due to utility permit fees \$0.20M from increased telecommunications activity, offset by lower Art Centre and Museum revenues of (\$0.13M).

**Grants & Subsidy Revenues** (Actual \$2.19M – Budget \$1.96M = Variance \$0.23M)

The budget includes provincial and federal grants of \$1.96M. The favourable variance of \$0.23M resulted from the receipt of one-time federal and provincial grants offset by corresponding expenses.

**Other Income** (Actual \$5.42M – Budget \$5.14M = Variance \$0.28M)

The favourable variance of \$0.28M was mainly due to gain on miscellaneous recoveries.

**b) PERSONNEL EXPENDITURES**

*In 2019 personnel expenditures were favourable by \$0.65M or 99.5% of the year end budget.*

<b><u>Personnel</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Fav./(Unfav.)</u></b>
Full time net of vacancy backfills and part time salaries	\$ 129.6 M	\$ 130.89 M	\$ 1.29 M
Overtime and other personnel costs	\$ 2.44 M	\$ 1.80 M	(\$ 0.64 M)
<b>Total</b>	<b>\$ 132.04 M</b>	<b>\$ 132.69 M</b>	<b>\$ 0.65 M</b>

In 2019, there was an average of 21 net temporary vacancies resulting in a favourable variance of \$2.58M. This was offset by part time salaries (\$0.87M) and full year budgeted salary gapping of (\$0.46M).

Overtime was unfavourable by (\$0.49M) mainly due to coverage for approved absences in the Fire Department (\$0.25M) and vacation coverage for facility operator staff in Recreation facilities (\$0.18M).

### **c) NON-PERSONNEL EXPENDITURES**

*In 2019, non-personnel expenditures were favourable by \$4.11M (95.4% of budget).*

<b><u>Non Personnel Items</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Fav./(Unfav.)</u></b>
Materials & Supplies	\$ 5.94 M	\$ 5.78 M	(\$ 0.16 M)
Purchased Services	\$ 38.85 M	\$ 41.05 M	\$ 2.20 M
Transfers to Reserves	\$ 37.21 M	\$ 36.53 M	(\$ 0.68 M)
Other Expenditures	\$ 2.37 M	\$ 5.12 M	\$ 2.75 M
<b>Total</b>	<b>\$ 84.37 M</b>	<b>\$ 88.48 M</b>	<b>\$ 4.11 M</b>

**Materials & Supplies** (Actual \$5.94M – Budget \$5.78M = Variance (\$0.16M))

Materials & supplies budget of \$5.78M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.74M), vehicle supplies such as fuel and repair parts (budget \$1.74M), and printing and office supplies (budget \$0.43M).

The unfavourable variance of (\$0.16M) was primarily due higher than budgeted vehicle parts, and gasoline and diesel fuel (\$0.18M) offset by traffic signs/supplies \$0.03M.

**Purchased Services** (Actual \$38.85M – Budget \$41.05M = Variance \$2.20M)

Purchased services budget of \$41.09M includes utilities and streetlight hydro (budget \$11.87M), waste collection (budget \$9.36M), maintenance & repairs (\$5.83M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$3.04M), insurance (\$2.63M), communications (\$1.40M) and promotion and advertising (budget \$1.40M).

Purchased Services were favourable \$2.20M mainly due to:

- \$1.26M favourable in utilities and streetlight hydro due to lower than budgeted rates.
- \$0.28M favourable in contract services agreements for asphalt repairs \$0.15M and grass cutting \$0.13M.
- \$0.25M favourable in maintenance and repairs mainly due to ongoing efforts to convert streetlights to LED, thereby reducing maintenance costs \$0.28M, and utility locates \$0.18M, partially offset by facility maintenance.
- \$0.21M favourable in professional fees, training, and travel (excl. office supplies which is included under materials & supplies).

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**Transfers to Reserves** (Actual \$37.21M – Budget \$36.53M = Variance (\$0.68M))

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

**Other Expenditures** (Actual \$2.37M – Budget \$5.12M = Variance \$2.75M)

Other expenditures budget of \$5.12M includes contingency expense and non-personnel ramp ups \$2.68M and property tax adjustments \$1.15M. Variance of \$2.75M is mainly due to lower corporate contingency expenditures of \$2.57M and property tax adjustments \$0.12M.

**Summary of One-Time Items**

There were several one-time revenue or expense items affecting the City's 2019 year-end results. As required, budgets have been adjusted in 2020. Listed below is a summary of the one-time items:

- \$2.57M favourable in corporate contingency (Budget \$2.68M, 1.1% of the City's Operating Budget of \$233.04M)
- \$1.26M favourable in hydro and streetlight hydro (no incremental increase in the 2020 budget required for the projected 2020 rate increase)
- \$0.65M favourable in personnel primarily due to temporary net vacancies (average 21 net temporary vacancies out of the total tax funded full-time complement of 891, or 2.3% of the full-time complement)
- \$0.65M favourable in penalty and interest due to higher than anticipated overdue property tax payments (2020 budget increased by \$0.12M)
- \$0.37M favourable in property tax levies
- \$0.28M favourable in contract services agreements for asphalt repairs and grass cutting
- \$0.28M favourable in maintenance and repairs mainly from lower streetlight maintenance repairs for LED lights
- \$0.16M favourable in Payments in lieu of property taxes
- (\$1.75M) unfavourable variance for winter maintenance
- (\$1.40M) unfavourable variance due to year-end accounting accruals and other adjustments
- (\$0.54M) unfavourable variance due to the planned closure of Milliken pool.
- (\$0.22M) unfavourable variance from one-time facility maintenance work for emergency repairs and to meet TSSA requirements.

**Total: \$2.31M**

After adjusting for the above items, and the usual transfer to the Corporate Rate Stabilization Reserve of approximately \$0.73M 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 fully depleted.

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**Year-End Accounting Accruals and Other Adjustments**

Year-end accounting accruals and other adjustments = Unfavourable variance (\$1.40M)

The 2019 year-end accounting accruals and other adjustments totaled \$3.09M against a budget of \$1.69M resulting in an unfavourable variance of (\$1.40M), \$0.71M of which is due to the continuation of the ramp-up in the base budget. The budget is anticipated to be fully ramped up to \$2.44M by 2022. The remaining unfavourable variance of \$0.69M is due to the top-up of employee future benefit reserves to 2021 needs, based on actuarial valuations (\$0.44M) and other employee related accruals (\$0.25M). The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accruals.

**Winter Maintenance**

The 2019 actual winter maintenance expenditures totaled \$11.79M against a budget of \$10.04M, resulting in an unfavourable variance of \$1.75M.

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

**3. PLANNING & DESIGN, ENGINEERING, BUILDING STANDARDS AND WATERWORKS OPERATING BUDGETS BY DEPARTMENT****a) Planning & Design (Appendix 2)**

Actual (\$0.63M) – Budget \$2.07M = Unfavourable variance (\$2.70M)

Planning & Design incurred a deficit of (\$0.63M) against a budgeted surplus of \$2.07M. The unfavourable variance of \$2.70M was mainly due to lower planning fees partially offset by favourable personnel variances from an average of seven temporary net vacancies.

**b) Engineering (Appendix 3)**

Actual \$0.03M – Budget \$0.67M = Unfavourable variance (\$0.64M)

Engineering incurred a surplus of \$0.03M against a budgeted surplus of \$0.67M. The unfavourable variance of \$0.64M was primarily due to lower engineering fees than budgeted.

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**c) Planning & Engineering Development Fee Reserve (Appendix 4)**

The 2019 budget anticipated a surplus of \$2.07M for Planning and a surplus of \$0.67M for Engineering totaling \$2.74M.

The Planning & Design and Engineering departments ended the year with a deficit of (\$0.63M) and a surplus of \$0.03M respectively. A draw from the Reserve of \$0.60M will be made decreasing the balance from \$0.27M to (\$0.52M). The year-end balance includes in-year interest adjustments and capital project funding transfers.

**d) Building Standards (Appendix 5)**

Actual (\$2.51M) – Budget (\$1.38M) = Unfavourable variance (\$1.13M)

The Building Standards department incurred a deficit of (\$2.51M) against a budgeted deficit of (\$1.38M). The unfavourable variance of \$1.13M was mainly due to lower Building permit fees than budgeted.

A draw from the Reserve of \$2.51M will be made decreasing the balance from \$12.94M to \$10.36M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

**e) Waterworks (Appendix 7)**

Actual \$17.26M – Budget \$15.28M = Favourable variance \$1.98M

The Waterworks department ended 2019 with a surplus of \$17.26M against a budgeted surplus of \$15.28M. The main drivers for the favourable variance of \$1.98M were as follows:

- Lower water purchases due to actual non-revenue water (NRW) of 10.1% (below the budgeted 11%), resulting in a favourable net sales and purchase of \$1.42M;
- Favourable non-personnel variance of \$0.77M due to lower maintenance materials and supplies costs;

A transfer of \$17.26M will be made to the Reserve which is offset by transfers to 2019 capital projects decreasing the balance from \$69.13M to \$68.20M (see Appendix 8).

**FINANCIAL CONSIDERATIONS:**

The Council approved Financial Planning and Budgeting Policy states any year-end operating surplus will first be transferred to the Corporate Rate Stabilization Reserve to achieve a level equivalent to 15% of local tax revenues, secondly, to replenish the expenditures in the Environmental Land Reserve Fund and finally, remaining balance transferred to the Life Cycle Replacement and Capital Reserve Fund.

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Staff recommend that the full 2019 operating surplus of \$3.04M be transferred to the Corporate Rate Stabilization Reserve. The additional provision will help mitigate the impact of possible unfavourable operating results in 2020 due to the COVID-19 virus. The audited 2019 draft consolidated financial statements will be presented to General Committee in April 2020. The year-end results presented in this report are subject to change based on the results of the external audit.

**RECOMMENDED BY:**

Joel Lustig  
Treasurer

Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:  
Appendices 1 to 14**

Appendix 1 – Primary Operating Budget - Financial Results at December 31, 2019

Appendix 2 – Planning & Design Operating Budget - Financial Results at December 31, 2019

Appendix 3 – Engineering Operating Budget - Financial Results at December 31, 2019

Appendix 4 – Planning and Engineering Development Fee Reserve Balance at December 31, 2019

Appendix 5 – Building Standards Operating Budget - Financial Results at December 31, 2019

Appendix 6 – Building Fee Reserve Balance at December 31, 2019

Appendix 7 – Waterworks Operating Budget - Financial Results at December 31, 2019

Appendix 8 – Waterworks Reserve Balance at December 31, 2019

Appendix 9 – Variances by Commission and Department at December 31, 2019 – CAO's Office, Human Resources and Legal

Appendix 10 – Variances by Commission and Department at December 31, 2019 – Community and Fire Services

Appendix 11 – Variances by Commission and Department at December 31, 2019 – Corporate Services

Appendix 12 – Variances by Commission and Department at December 31, 2019 – Development Services

Appendix 13 – Variances by Commission and Department at December 31, 2019 – Mayor and Council

Appendix 14 – Variances by Commission and Department at December 31, 2019 – Corporate Items