



Report to: General Committee

Meeting Date: November 12, 2018

SUBJECT: 2018 September Year-To-Date Review of Operations and Year-end Projection

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RECOMMENDATION:

- 1) THAT the report entitled “2018 September Year-To-Date Review of Operations” be received; and,
- 2) THAT the year-end surplus, if any, will be transferred in the order as outlined below:
 - a. Corporate Rate Stabilization Reserve at a level equivalent to 15% of local tax levies;
 - b. Land Acquisition Reserve for the proposed York University land donation; and
 - c. Remaining surplus, if any, to the Life Cycle Replacement and Capital Reserve Fund; and,
- 3) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Council approved the 2018 annual operating budget of \$378.45M on December 12, 2017 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 2018 September 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 September results (January 1 to September 30).

YTD September favourable variance of 5.5% to budget.

The City operations YTD September surplus, excluding winter maintenance, was \$50.97M against a budget of \$42.23M, resulting in a favourable variance of \$8.74M. The net City operations including winter maintenance, incurred a favourable variance of \$9.16M.

(\$ in millions)	<u>YTD Sep 2018</u>		Variance	% of
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	205.96	201.90	4.06	102.0%
Expenses	<u>154.99</u>	<u>159.67</u>	<u>4.68</u>	97.1%
Surplus excluding winter maintenance	50.97	42.23	8.74	
Winter Maintenance	<u>6.86</u>	<u>7.28</u>	<u>0.42</u>	
Net surplus including winter maintenance	<u>44.11</u>	<u>34.95</u>	<u>9.16</u>	

City's Surplus excluding winter maintenance

The major variances are outlined in the chart below:

Revenues			Expenditures		
	Fav. / (Unfav.)			Fav. / (Unfav.)	
Investment income	2.38	M	Salaries & benefits	1.41	M
Property tax levies	0.31	M	Corporate contingency	0.93	M
License and permits	0.28	M	Utilities and Streetlight hydro	0.79	M
Legal fees	0.27	M	Property tax adjustment	0.51	M
Property tax penalty and interest	0.25	M	Maintenance & repairs	0.47	M
Theatre and Museum revenue	0.21	M	Professional services/ office supplies/ training/ travel	0.26	M
Federal and Provincial grants	0.21	M	Contracted service agreements	0.18	M
Parking fines	(0.28)	M	Operating materials & supplies	0.13	M
Finance revenues	(0.15)	M	Advertising and promotion	(0.14)	M
Recreation services revenue	(0.09)	M	Other	0.14	M
Other	0.67	M			
Total	4.06	M	Total	4.68	M

Winter Maintenance

The 2018 actual winter maintenance expenditures at the end of the September totaled \$6.86M against a budget of \$7.28M, resulting in a favourable variance of \$0.42M.

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

The City is projecting to achieve 101.8% of the revenue budget and 97.2% of the expenditure budget.

This will result in a favourable variance of 3.5% to budget.

Projected Year-End Variance	
	Fav./(Unfav.)
1. Primary operating budget (day-to-day operations)	\$ 9.83 M
2. Year-end accounting accruals and other adjustments	\$ (1.14) M
Total	\$ 8.69 M
3. Winter maintenance unfavourable variance	\$ (0.97) M
Suplus	\$ 7.72 M

The main driver for the revenue projection being over budget is higher than budgeted investment income resulting from a higher than budgeted rate of return and a higher portfolio balance.

Other contributing drivers to a lesser extent on the revenue projection include higher legal administrative fees, tax levies, licences and permits, and property tax penalty and interest, offset by unfavourable variances in parking fines and Finance revenues.

The projected favourable variance in expenditure budget is due to 40 net temporary vacancies, lower expenditures in hydro and streetlight hydro due to lower than budgeted rates, maintenance and repairs, contracted service agreements, professional services, office supplies, travel, training, and corporate contingencies, offset partially by unfavourable variances in fire overtime, advertising and promotion, fuel and gasoline.

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 2018 year-end accounting accruals and other adjustments are estimated at a net cost of (\$1.14M).

Of the projected \$8.69M favourable year-end variance, winter maintenance is projected to be unfavourable by (\$0.97M) which will net a favourable surplus of \$7.72M.

The net favourable surplus of \$7.72M is recommended to be transferred 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. Land Acquisition Reserve for the proposed York University land donation in the amount of \$6.8M. The land was purchased in 2011 at a purchase price of \$19.9M for 13 acres. The donated land for the York University represents 4.4 acres. (\$19.9M/13 acres X 4.4 acres= \$6.8M); and
- c. Remaining surplus, if any, to the Life Cycle Replacement and Capital Reserve Fund.

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end unfavourable variance of (\$0.97M), based on an assumption of 50% unfavourable variance for the last six weeks of the year which is consistent with the results experienced in the fourth quarter of 2017.

Planning & Design (Appendix 3)

Actual \$4.69M – Budget \$0.82M = Favourable variance \$3.87M
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At the end of September, the Planning department had a surplus \$4.69M against a budgeted surplus of \$0.82M. The favourable variance of \$3.87M was mainly due to higher than budgeted planning and design fees of \$2.80M from higher volume of applications submitted in June in anticipation of higher Regional development charges effective July 1, 2018, and lower personnel costs of \$1.05M from a year-to-date average of six temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$3.50M compared to a budgeted surplus of \$0.90M. This will result in a transfer to reserve of \$3.50M (a favourable variance to budget of \$2.60M). The projected surplus is due to favourable personnel variances due to continuation of 4 net average vacancies to year-end and higher planning fees.

Engineering (Appendix 4)

Actual \$3.64M – Budget \$0.51M = Favourable variance \$3.31M
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At the end of September, the Engineering Department had a surplus of \$3.64M against a budgeted surplus of \$0.51M. The favourable variance of \$3.31M was mainly due to higher than budgeted Engineering fees from a higher volume of applications submitted in June in anticipation of higher Regional development charges effective July 1, 2018.

Year-End Projection:

Engineering is projecting a year-end surplus of \$3.01M compared to a budgeted surplus of \$0.13M. This will result in a transfer to reserve of \$3.01M primarily due to higher 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 \$1.45M at year-end (see Appendix 5).

Building Standards (Appendix 6)

Actual \$3.30M – Budget \$1.45M = Favourable variance \$1.85M
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At the end of September, the Building Standards department had a surplus of \$3.30M against a budgeted surplus of \$1.45M. The favourable variance of \$1.85M was mainly due to higher building permit fees than budgeted of \$1.39M from a higher volume of applications submitted in June in anticipation of higher Regional development charges effective July 1, 2018 and lower personnel costs of \$0.40M from a year-to-date average of four temporary net vacancies.

Year-End Projection:

Staff is projecting a year-end surplus of \$2.65M compared to a budgeted surplus of \$0.94M. This will result in a transfer to reserve of \$2.65M which is higher than the budgeted surplus of \$0.94M. The variance is due to higher Building permit fees than budgeted.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$12.13M at year-end (see Appendix 7).

Waterworks (Appendix 8)

Actual \$11.85M – Budget \$10.95M = Favourable variance \$0.90M
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At the end of September, the Waterworks department had a surplus of \$11.85M against a budgeted surplus of \$10.95M. The main drivers for the favourable variance of \$0.90M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$0.58M due to lower operating and construction materials and supplies costs;
- Lower personnel costs from a year-to-date average of four temporary net vacancies resulting in a favourable variance of \$0.27M;
- Lower than budgeted water sales is offset by lower than budgeted water purchase, resulting in a net sales and purchase of (\$0.02M). Year-to-date August average actual non-revenue water (NRW) was on budget at 11%.

Year-End Projection:

Based on the September year-to-date results, Waterworks is projecting a year-end surplus of \$15.58M against a budget surplus of \$15.28M from a lower non-personnel expenditures and year-to-date average of four temporary net vacancies. This will result in a higher transfer to reserve of \$0.30M.

The Waterworks reserve balance is projected to be \$68.86M at year-end (see Appendix 9).

PURPOSE:

To report on the year-to-date actual 2018 operating budget results versus the budgeted 2018 operating budget as at September 30, 2018, and to provide year-end projections against the annual budgets.

BACKGROUND:

Council approved the 2018 annual operating budget of \$378.45M on December 12, 2017 which includes the City's primary operating budget (including the Library operating budget), Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

The Planning & Design, Engineering, Building Standards and Waterworks operating budgets are primarily user fee funded, including planning and engineering fees, building permit fees and water billings. Separate reserves have been established to support the department's day-to-day operations and capital programs.

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

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

This report provides a variance analysis by:

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

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

Net results (revenues – expenses) for the nine months ended September 30, 2018 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 10 to 14.

The following table is a summary of all commissions year-to-date September results:

<u>Commission</u>	<u>YTD Sep 2018</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	
CAO's Office, Human Resources and Legal	3.79	4.14	0.35
Community & Fire Services (excl. winter maintenance)	70.10	71.95	1.85
Corporate Services	15.28	15.91	0.63
Development Services	5.13	5.29	0.16
Corporate Items	(145.27)	(139.52)	5.75
<u>Net Expense/ (Revenue)</u>	<u>(50.97)</u>	<u>(42.23)</u>	<u>8.74</u>

Explanations for variances greater than \$0.10M by each Commission and Department are provided on the following pages.

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

<u>Department</u>	<u>YTD Sep 2018</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office	0.57	0.59	0.02
Human Resources	2.27	2.22	(0.05)
Legal	0.95	1.33	0.38
Net Expense	3.79	4.14	0.35

Legal (Actual \$0.95M – Budget \$1.33M = Variance \$0.38M)

Favourable variance of \$0.38M is mainly due to higher legal administration fees revenue from a higher volume of applications submitted in June (in anticipation of higher Regional development charges effective July 1, 2018).

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

<u>Department</u>	<u>YTD Sep 2018</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Operations	18.30	19.24	0.94
Fire Services	28.53	27.80	(0.73)
Library	9.29	9.90	0.61
Recreation Services	7.36	8.07	0.71
Environmental Services	0.63	0.74	0.11
Waste	5.54	5.70	0.16
Commissioner's Office	0.45	0.50	0.05
Net Expense	70.10	71.95	1.85

Operations (Actual \$18.30M – Budget \$19.24M = Variance \$0.94M)

Favourable variance mainly due to seven temporary net vacancies \$0.25M, maintenance and repairs \$0.31M mainly from lower streetlight maintenance repairs being covered under warranty from the LED conversion project (warranty will expire in 2019), and contracted service agreements \$0.09M mainly due to the delay in the assumption of Highway 7 streetscape maintenance.

Fire Services (Actual \$28.53M – Budget \$27.80M = Variance (\$0.73M))

Unfavourable variance mainly due to four temporary net vacancies offset by unfavourable variance from full year budgeted salary gapping (\$0.15M) and overtime (\$0.44M).

Library (Actual \$9.29M – Budget \$9.90M = Variance \$0.61M)

Favourable variance mainly due to six temporary net vacancies offset by lower library fines (\$0.09M).

Recreation (Actual \$7.36M – Budget \$8.07M = Variance \$0.71M; Variance \$0.20M excluding utilities)

Favourable variance mainly due to a year-to-date average of six temporary net vacancies \$0.15M, contracted service agreements \$0.11M, maintenance and repairs \$0.06M, and utilities \$0.51M offset by lower than budgeted program registrations revenue (\$0.09M).

Waste (Actual \$5.54M – Budget \$5.70M = Variance \$0.16M)

Favourable variance mainly due to lower tonnage in recycling and garbage collection.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD Sep 2018</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Legislative Services & Corporate Communications	3.64	3.75	0.11
Financial Services	3.13	3.34	0.21
ITS	5.82	5.85	0.03
Sustainability & Asset Management	2.40	2.66	0.26
Commissioner's Office	0.29	0.31	0.02
Net Expense	15.28	15.91	0.63

Legislative Services & Corporate Communications (Actual \$3.64M – Budget \$3.75M = Variance \$0.11M)

Favourable variance mainly due to six temporary net vacancies \$0.16M and increase in licenses and permits mainly due to a change in requirement from CAA for tow truck drivers to be licensed in each municipality where the tow is initiated, offset by unfavourability in parking fines (\$0.30M)

Financial Services (Actual \$3.13M – Budget \$3.34M = Variance \$0.21M)

Favourable variance mainly due to two temporary net vacancies and personnel costs \$0.35M offset by an unfavourable variance of (\$0.08M) in ownership changes administration fees and tax certificates (\$0.05M) impacted by lower home sales.

Sustainability & Asset Management (Actual \$1.48M – Budget \$1.71M = Variance \$0.23M)

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

Development Services (Appendix 13)

<u>Department</u>	<u>YTD Sep 2018</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	3.24	3.29	0.05
Traffic Operations	1.01	1.08	0.07
Commissioner's Office	0.88	0.92	0.04
Net Expense	5.13	5.29	0.16

Corporate Items

<u>Department</u>	<u>YTD Sep 2018</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	(145.27)	(139.52)	5.75
Net Revenue	(145.27)	(139.52)	5.75

Favourable variance mainly due to higher investment income \$2.38M, lower than budgeted corporate contingency of \$0.93M, tax levies \$0.31M, property tax penalty and interest \$0.25M and one-time lease agreements.

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 \$8.74M and the breakdown is as follows:

REVENUES

At the end of September, revenues totalled \$205.96M against a budget of \$201.90M resulting in a favourable variance of \$4.06M or 102.0% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./ (Unfav.)</u>
Property Taxation Revenues	\$ 155.71 M	\$ 155.40 M	\$ 0.31 M
General Revenues	\$ 20.58 M	\$ 17.95 M	\$ 2.63 M
User Fees & Service Charges	\$ 23.92 M	\$ 23.44 M	\$ 0.48 M
Grant & Subsidy Revenues	\$ 1.46 M	\$ 1.25 M	\$ 0.21 M
Other Income	\$ 4.29 M	\$ 3.86 M	\$ 0.43 M
Net Variance	\$ 205.96 M	\$ 201.90 M	\$ 4.06 M

Property Taxation Revenues (Actual \$155.71M – Budget \$155.40M = Variance \$0.31M)
Property taxation revenue YTD budget includes property taxes.

General Revenues (Actual \$20.58M – Budget \$17.95M = Variance \$2.63M)

The general revenues YTD budget of \$17.95M includes investment income (budget \$10.61M), property tax penalty and interest (budget \$3.30M), parking fines (budget \$2.52M) and business, taxi, marriage and other licences (budget \$1.34M).

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 \$20.58M at the end of September against a YTD budget of \$17.95M. The main drivers for the favourable variance of \$2.63M are investment income of \$2.38M resulting from a higher than budgeted rate of return \$2.10M and a higher portfolio balance \$0.28M, and licenses and permits revenue \$0.28M due to higher than

budgeted volumes tow truck licenses due to a recent change in requirement from CAA for tow truck drivers to be licenced in each municipality where the tow is initiated.

User Fees and Service Charges (Actual \$23.92M – Budget \$23.44M = Variance \$0.48)

The user fees and services charges YTD budget of \$23.44M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$16.43M), and facility rentals for arenas, pools, gym and halls (budget \$6.52M).

User fees and service charges were favourable by \$0.48M, the main drivers of which were higher Legal administrative fee revenue of \$0.27M due to a higher volume of applications submitted in June (in anticipation of higher Regional development charges effective July 1, 2018), and higher revenue from Theatre and Museum totalling \$0.23M.

This was partially offset by unfavourable variance in Financial Services revenues in ownership changes administration fees (\$0.08M) and tax certificates (\$0.05M) impacted by lower home sales.

Recreation achieved 99.5% of their revenue budget or unfavourable by (\$0.09M) (actual \$18.79M, budget \$18.88M). This is mainly due to lower than budgeted program registrations revenue.

Grants & Subsidy Revenues (Actual \$1.46M – Budget \$1.25M = Variance \$0.21M)

The YTD budget includes Provincial and Federal grants of \$1.25M. The favourable variance of \$0.21M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$4.29M – Budget \$3.86M = Variance \$0.43M)

The favourable variance of \$0.43M is mainly due to one-time temporary lease agreements.

PERSONNEL EXPENDITURES

At the end of September, personnel expenditures were favourable by \$1.41M or spending of 98.6% 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	\$93.37 M	\$96.21 M	\$2.84 M
Overtime and other personnel costs	\$2.72 M	\$1.29 M	(\$1.43M)
Total	\$96.09 M	\$97.5 M	\$1.41 M

At the end of September, there were 33 net temporary vacancies resulting in a favourable variance of \$2.39M and a favourable variance in part-time salaries of \$0.90M. This was partially offset by full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$2.84M.

Overtime and other personnel costs were unfavourable by (\$1.43M).

NON-PERSONNEL EXPENDITURES

At the end of September, non-personnel expenditures were favourable by \$3.27M or spending of 94.7% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./Unfav.</u>
Materials & Supplies	\$3.9 M	\$4.09 M	\$0.19 M
Purchased Services	\$27.99 M	\$29.47 M	\$1.48 M
Transfers to Reserves	\$25.68 M	\$25.87 M	\$0.19 M
Other Expenditures	\$1.33 M	\$2.74 M	\$1.41 M
Total	\$58.9 M	\$62.17 M	\$3.27 M

Materials & Supplies (Actual \$3.90M – Budget \$4.09M = Variance \$0.19M)

Materials & supplies YTD budget of \$2.61M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$1.82M), vehicle supplies such as fuel and repair parts (budget \$1.32M), and printing and office supplies (budget \$0.33M).

The favourable variance of \$0.19M is primarily due to operating materials and supplies \$0.13M (eg. uniforms, equipment and program expenses), and printing and office supplies \$0.06M.

Purchased Services (Actual \$27.99M – Budget \$29.47M = Variance \$1.48M)

Purchased services YTD budget of \$29.47M includes utilities and streetlight hydro (budget \$8.75M), waste collection (budget \$4.83M), insurance (budget \$2.13M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.77M).

Purchased Services were favourable \$1.48M primarily due to:

- \$0.79M favourable in utilities and streetlight hydro due to lower than budgeted rates
- \$0.47M favourable in maintenance and repairs (utility locates, streetlight maintenance)
- \$0.18M favourable in other contracted services mainly due to the delay in assumption of Highway 7 streetscaping maintenance

- \$0.26M favourable in professional fees, training, and travel (excl. office supplies of \$0.06M which is included under materials & supplies)
- Partially offset by unfavourable variance in advertising and promotion (\$0.14M)

Transfers to Reserves (Actual \$25.68M – Budget \$25.87M = Variance \$0.19M)

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

Other Expenditures (Actual \$1.33M – Budget \$2.74M = Variance \$1.41M)

Other expenditures YTD budget of \$2.74M includes contingency expense and non-personnel ramp ups (\$0.40M). Year to date variance of \$1.41M is mainly due to lower corporate contingency expenditures of \$0.93M.

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)	\$ 9.83 M
2. Year-end accounting accruals and other adjustments	\$ (1.14) M
Total	\$ 8.69 M
3. Winter maintenance unfavourable variance	\$ (0.97) M
Suplus	\$ 7.72 M

Staff is projecting a 3.5% favourable variance to budget at year-end (including winter maintenance).

The main driver for the revenue projection being over budget is higher than budgeted investment income resulting mainly from a higher than budgeted rate of return and a higher portfolio balance.

Other contributing drivers of lesser extent on the revenue projection include higher legal administrative fees, tax levies, licences and permits, and property tax penalty and interest, offset by unfavourable variances in parking fines and Finance revenues.

The projected favourable variance in expenditure budget is due to 40 net temporary vacancies, lower expenditures in hydro and streetlight hydro due to lower than budgeted rates, maintenance and repairs, contracted service agreements, professional services, office supplies, travel, training, and corporate contingencies, offset partially by unfavourable variances in fire overtime, advertising and promotion, fuel and gasoline.

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 2018 year-end accounting accruals and other adjustments are estimated at a net cost of (\$1.14M).

Winter maintenance is projected to be unfavourable by (\$0.97M).

The net favourable surplus of \$7.72M is recommended to be transferred as follows:

- a. Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy as per City policy; and
- b. Land Acquisition Reserve for the proposed York University land donation; and
- c. Remaining surplus, if any to the Life Cycle Replacement and Capital Reserve Fund.

There are several one-time items affecting the City's 2018 year-end projection. These items are either one-time revenues or expenses incurred or expected in 2018. In some cases, budgets will be adjusted in the 2019 budget where needed. They have been summarized below:

- \$3.0M in investment income resulting from a higher than budgeted rate of return and a higher portfolio balance (2019 Budget to be adjusted)
- \$2.24M favourable in corporate contingency (Budget \$2.65M, 1.2% of the City's Operating Budget of \$215.30M)
- \$1.90M favourable in personnel primarily due to temporary net vacancies (average 40 net temporary vacancies out of the total tax funded full-time complement of 880, or 4.5% of the full-time complement)
- \$1.21M favourable in hydro and streetlight hydro (no incremental increase in the 2019 budget required for the projected 2019 rate increase)
- \$0.33M one-time favourable variance in legal administrative fees due to a higher volume of applications submitted in June (in anticipation of higher Regional development charges effective July 1, 2018)
- (\$1.14M) unfavourable variance due to year-end accounting accruals and other adjustments

Total: \$7.54M

Based on the projected year-end variance of \$8.69M, after adjusting for the above items totaling \$7.54M and the transfer to the Corporate Rate Stabilization Reserve of approximately \$1.08M 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 fully depleted.

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end unfavourable variance of (\$0.97M), based on an assumption of 50% unfavourable variance for the last six weeks of the year which is consistent with the results experienced in Q4 2017.

Planning & Design

Planning & Design is projecting a year-end surplus of \$3.50M compared to a budgeted surplus of \$0.90M. This will result in a transfer to reserve of \$3.50M (a favourable variance

to budget of \$2.60M). The projected surplus is due to favourable personnel variances due to continuation of 4 net average vacancies to year-end and favourable Planning fees.

Engineering

Engineering is projecting a year-end surplus of \$3.01M compared to a budgeted surplus of \$0.13M. This will result in a transfer to reserve of \$3.01M primarily due to higher 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 (\$1.45M) at year-end (see Appendix 5).

Building Standards

Staff is projecting a year-end surplus of \$2.65M compared to a budgeted surplus of \$0.94M. This will result in a transfer to reserve of \$2.65M which is higher than the budgeted surplus of \$0.94M. The variance is due to higher Building permit fees than budgeted.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$12.13M at year-end (see Appendix 7).

Waterworks

Based on the September year-to-date results, Waterworks is projecting a year-end surplus of \$15.58M against a budget surplus of \$15.28M from a lower non-personnel expenditures and year-to-date average of four temporary net vacancies. This will result in a higher transfer to reserve of \$0.30M.


The Waterworks reserve balance is projected to be \$68.86M at year-end (see Appendix 9).

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations for the balance of the year and will report back in the first quarter of 2019 with the year end results.


RECOMMENDED

2018-11-06

X 

Joel Lustig
Treasurer
Signed by: cxa

2018-11-06

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENTS:**[Appendices 1 to 14:](#)**

Appendix 1 – Primary Operating Budget - Financial Results for the Six Months Ended September 30, 2018

Appendix 2 – Library Operating Budget - Financial Results for the Six Months Ended September 30, 2018

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Six Months Ended September 30, 2018

Appendix 4 – Engineering Operating Budget - Financial Results for the Six Months Ended September 30, 2018

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

Appendix 6 – Building Standards Operating Budget - Financial Results for the Six Months Ended September 30, 2018

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

Appendix 8 – Waterworks Operating Budget - Financial Results for the Six Months Ended September 30, 2018

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

Appendix 10 – Variances by Commission and Department for the six months ended September 30, 2018 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the six months ended September 30, 2018 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the six months ended September 30, 2018 – Corporate Services

Appendix 13 – Variances by Commission and Department for the six months ended September 30, 2018 – Development Services

Appendix 14 – Variances by Commission and Department for the six months ended September 30, 2018 – Corporate Items