



Report to: General Committee

Meeting Date: May 22, 2018

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**SUBJECT:** 2018 March Year-To-Date Review of Operations  
**PREPARED BY:** Jay Pak, Senior Business Analyst Financial Planning

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**RECOMMENDATION:**

- 1) THAT the report entitled “2018 March Year-To-Date Review of Operations” be received.

**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 March year-to-date operating results comparing actual to budget.

**Primary Operating Budget (Appendix 1)**

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

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

<b>Surplus (incl. winter maintenance): Actual \$17.62M – Budget \$13.66M = Favourable variance \$3.96M</b>
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City operations YTD March surplus, excluding winter maintenance, was \$23.35M against a budget of \$20.72M, resulting in a favourable variance of \$2.63M. As noted above the net City operations, including winter maintenance, incurred a favourable variance of \$3.96M.

(\$ in millions)	YTD Mar 2018		Variance	% of
	Actual	Budget	fav./(unfav.)	Budget
Revenues	91.18	90.29	0.89	101.0%
Expenses	67.83	69.57	1.74	97.5%
<b>Surplus excluding winter maintenance</b>	<b>23.35</b>	<b>20.72</b>	<b>2.63</b>	
Winter Maintenance	5.73	7.06	1.33	
<b>Net surplus including winter maintenance</b>	<b>17.62</b>	<b>13.66</b>	<b>3.96</b>	

**City's Surplus excluding winter maintenance****City's surplus excluding winter maintenance = Favourable variance \$2.63M**

The major variances are outlined in the chart below:

<b>Revenues</b>	<b>Fav. / (Unfav.)</b>		<b>Expenditures</b>	<b>Fav. / (Unfav.)</b>	
Investment income	0.56	M	Salaries & benefits	1.08	M
Legal and Finance administrative fees	0.17	M	Utilities & streetlight hydro	0.24	M
Theatre and Art Centre revenue	0.11	M	Professional services/ office supplies/ training/ travel	0.16	M
Licenses & permits	0.09	M	Maintenance & repairs	0.06	M
Federal and Provincial grants	0.08	M	Operating materials & supplies	0.05	M
Recreation Services revenue	(0.25)	M	Other	0.15	M
Other	0.13	M			
<b>Total</b>	<b>0.89</b>	<b>M</b>	<b>Total</b>	<b>1.74</b>	<b>M</b>

**Winter Maintenance****Winter maintenance = Favourable variance \$1.33M**

The 2018 actual winter maintenance expenditures at the end of the March totaled \$5.73M against a budget of \$7.06M, resulting in a favourable variance of \$1.33M.

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

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

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

The winter maintenance expenditures were favourable by \$1.33M as follows:

	<u><b>Actual</b></u>	<u><b>Budget</b></u>	<u><b>Variance Fav./(Unfav.)</b></u>	
Sidewalk (per unit of equipment)	194 hrs	260 hrs	66 hrs	\$0.34M
Loader (per unit of equipment)	63 hrs	119 hrs	56 hrs	\$0.30M
Grader (per unit of equipment)	54 hrs	128 hrs	74 hrs	\$0.54M
Tandem (per unit of equipment)	196 hrs	215 hrs	19 hrs	\$0.16M
Salt & Sand	15,000 tonnes	15,200 tonnes	200 tonnes	\$0.03M
Part-time & overtime costs				\$(0.14)M
Other winter maintenance costs				\$0.10M
<b>Winter maintenance favourable variance</b>				<b>\$1.33M</b>

**Planning & Design (Appendix 3)**

<b>Actual \$1.54M – Budget \$0.51M = Favourable variance \$1.03M</b>
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At the end of March, the Planning department had an actual surplus of \$1.54M against a budgeted surplus of \$0.51M. The favourable variance of \$1.03M was mainly due to higher than budgeted Planning and Design fees by \$0.57M and lower personnel costs of \$0.46M from a year-to-date average of ten temporary net vacancies and a one-time reimbursement of personnel recovery for work related to the future urban area (FUA).

**Engineering (Appendix 4)**

<b>Actual \$1.14M – Budget (\$0.13M) = Favourable variance \$1.27M</b>
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At the end of March, the Engineering department had an actual surplus of \$1.15M against a budgeted deficit of (\$0.13M). The favourable variance of \$1.27M was mainly due to higher than budgeted Engineering fees.

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**Building Standards (Appendix 5)**

<b>Actual (\$0.85M) – Budget (\$0.74M) = Unfavourable variance (\$0.11M)</b>
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At the end of March, the Building Standards department incurred a deficit of (\$0.85M) against a budgeted deficit of (\$0.74M). The unfavourable variance of (\$0.11M) was mainly due to a lower number of building permits being issued and the budgeted full year salary gapping has not been achieved at this time.

**Waterworks (Appendix 6)**

<b>Actual \$1.04M – Budget \$0.99M = Favourable variance \$0.05M</b>
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At the end of March, the Waterworks department had a surplus of \$1.04M against a budgeted surplus of \$0.99M. The main drivers for the favourable variance of \$0.05M were as follows:

- Lower non-personnel costs resulting in a favourable variance of \$0.27M due to lower operating and construction materials and supplies costs;
- Lower personnel costs from a year-to-date average of one temporary net vacancy resulting in a favourable variance of \$0.11M (excludes approved leave of absences);
- Lower than budgeted water sales and higher non-revenue water (year-to-date February average actual non-revenue water (NRW) was 12.8% compared to a budget of 11.0%) resulting in an unfavourable “net sales and purchases” variance of (\$0.34M)

**PURPOSE:**

To report on the year-to-date actual 2018 operating results versus the budgeted 2018 operating budget as at March 31, 2018.

**BACKGROUND:**

Council approved the 2018 annual operating budget of \$378.45M on December 12, 2017 which includes the City’s primary operating budget, Library operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget. The primary operating budget is mainly tax funded to support the City’s day-to-day operations.

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

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

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

This report provides a variance analysis by:

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

## **DISCUSSION:**

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

Net results (revenues – expenses) for the three months ended March 31, 2018 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 7 to 11.

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

<b><u>Commission</u></b>	<b><u>YTD Mar 2018</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	0.91	1.17	0.26
Community & Fire Services (excl. winter maintenance)	21.00	21.73	0.73
Corporate Services	4.75	5.30	0.55
Development Services	1.97	2.19	0.22
Corporate Items	(51.98)	(51.11)	0.87
<b>Net Expense/ (Revenue) excl. winter maintenance</b>	<b>(23.35)</b>	<b>(20.72)</b>	<b>2.63</b>

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

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

<b><u>Department</u></b>	<b><u>YTD Mar 2018</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	0.14	0.16	0.02
Human Resources	0.55	0.58	0.03
Legal	0.22	0.43	0.21
<b>Net Expense</b>	<b>0.91</b>	<b>1.17</b>	<b>0.26</b>

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**Legal** (Actual \$0.22M – Budget \$0.43M = Variance \$0.21M)

Favourable variance mainly due to external legal costs \$0.05M and legal fee revenue \$0.13M due to higher volume of site plan and sub-division agreements in Q1.

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

<b><u>Department</u></b>	<b><u>YTD Mar 2018</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./ (unfav.)</u></b>
Operations	4.41	4.83	0.42
Fire Services	9.77	9.62	(0.15)
Library	3.47	3.73	0.26
Recreation Services	1.58	1.64	0.06
Environmental Services	0.19	0.24	0.05
Waste	1.50	1.57	0.07
Commissioner's Office	0.08	0.10	0.02
<b>Net Expense</b>	<b>21.00</b>	<b>21.73</b>	<b>0.73</b>

**Operations** (Actual \$4.41M – Budget \$4.83M = Variance \$0.42M)

Favourable variance mainly due to a year-to-date average of eight temporary net vacancies \$0.37M, maintenance and repairs \$0.02M and streetlight hydro of \$0.04M.

**Fire Services** (Actual \$9.77M – Budget \$9.62M = Variance (\$0.15M))

Unfavourable variance mainly due to a year-to-date average of four temporary net vacancies \$0.03M offset by unfavourable variance from full year budgeted salary gapping (\$0.15M).

**Library** (Actual \$3.47M – Budget \$3.73M = Variance \$0.26M)

Favourable variance mainly due to a year-to-date average of seven temporary net vacancies.

**Recreation Services** (Actual \$1.58M – Budget \$1.64M = Variance \$0.06M)

Favourable variance mainly due to a year-to-date average of six temporary net vacancies \$0.13M, part-time salaries \$0.17M (corresponding partial offset against unfavourable variance in revenues) and utilities \$0.15M offset by unfavourable variance in ice rental for non-prime hours (\$0.07M), lower than anticipated fitness memberships (\$0.05) and lower than budgeted aquatics registrations due to the delay in the opening of Aaniin (\$0.13) totaling (\$0.25M).

**Environmental Services** (Actual \$0.19M – Budget \$0.24M = Variance \$0.05M)

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

**Waste** (Actual \$1.50M – Budget \$1.57M = Variance \$0.07M)

Favourable variance mainly due to contracted municipal services waste collection \$0.06M due to lower volumes in recycling and garbage collection.

**Corporate Services (Appendix 9)**

<b><u>Department</u></b>	<b><u>YTD Mar 2018</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	0.85	1.08	0.23
Financial Services	0.88	1.01	0.13
ITS	2.12	2.16	0.04
Sustainability & Asset Management	0.81	0.93	0.12
Commissioner's Office	0.09	0.12	0.03
<b>Net Expense</b>	<b>4.75</b>	<b>5.30</b>	<b>0.55</b>

**Legislative Services & Corporate Communications** (Actual \$0.85M – Budget \$1.08M = Variance \$0.23M)

Favourable variance mainly due to a year-to-date average of seven temporary net vacancies resulting in a favourable variance of \$0.17M partially offset by part-time salaries (\$0.05M) and full year budgeted salary gapping of (\$0.04M), communication programs expense \$0.06M and higher licenses and permits revenue \$0.07M.

**Financial Services** (Actual \$0.88M – Budget \$1.01M = Variance \$0.13M)

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

**Sustainability & Asset Management** (Actual \$0.81M – Budget \$0.93M = Variance \$0.12M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.09M.

**Development Services (Appendix 10)**

<b><u>Department</u></b>	<b><u>YTD Mar 2018</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Culture & Economic Development	1.36	1.53	0.17
Traffic Operations	0.33	0.36	0.03
Commissioner's Office	0.28	0.30	0.02
<b>Net Expense</b>	<b>1.97</b>	<b>2.19</b>	<b>0.22</b>

**Culture & Economic Development** (Actual \$1.36M – Budget \$1.53M = Variance \$0.17M)

Favourable variance mainly due to higher Theatre and Art Centre revenues of \$0.11M.

**Corporate Items**

<b><u>Department</u></b>	<b><u>YTD Mar 2018</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Corporate Items	(51.98)	(51.11)	0.87
<b>Net Revenue</b>	<b>(51.98)</b>	<b>(51.11)</b>	<b>0.87</b>

Favourable variance mainly due to six temporary net vacancies of \$0.22M, higher investment income \$0.55M, and financial services administrative fees \$0.04M from higher volume of site plan and sub-division agreements.

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

At the end of March the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$2.63M and the breakdown is as follows:

### **REVENUES**

**At the end of March, revenues totalled \$91.18M against a budget of \$90.29M resulting in a favourable variance of \$0.89M or 101.0% of the year-to-date budget.**

<b>Revenues</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Property Taxation Revenues	\$ 73.93 M	\$ 73.93 M	\$ 0.00 M
General Revenues	\$ 6.99 M	\$ 6.35 M	\$ 0.64 M
User Fees & Service Charges	\$ 7.63 M	\$ 7.75 M	(\$ 0.12 M)
Grant & Subsidy Revenues	\$ 0.52 M	\$ 0.42 M	\$ 0.10 M
Other Income	\$ 2.11 M	\$ 1.84 M	\$ 0.27 M
<b>Net Variance</b>	<b>\$ 91.18 M</b>	<b>\$ 90.29 M</b>	<b>\$ 0.89 M</b>

**Property Taxation Revenues** (Actual \$73.93M – Budget \$73.93M= Variance \$0.00M)

Property tax revenue YTD budget includes property taxes.

**General Revenues** (Actual \$6.99M – Budget \$6.35M = Variance \$0.64M)

The general revenues YTD budget of \$6.35M includes investment income (budget \$3.55M), property tax penalty and interest (budget \$1.28M), parking fines (budget \$0.76M) and business, taxi, marriage and other licences (budget \$0.76M).

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

YTD general revenues totaled \$6.99M at the end of March against a YTD budget of \$6.35M. The main drivers for the favourable variance of \$0.64M are investment income of \$0.56M resulting from a higher than budgeted rate of return \$0.42M and a higher portfolio balance \$0.14M, and licenses and permits revenue \$0.09M.

**User Fees and Service Charges** (Actual \$7.63M – Budget \$7.75M= Variance (\$0.12M))

The user fees and services charges YTD budget of \$7.75M 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 \$4.84M), and facility rentals for arenas, pools, gym and halls (budget \$2.78M).

User fees and service charges were unfavourable by (\$0.12M), the main drivers of which were:

#### Recreation

Recreation revenues were unfavourable by (\$0.25M) (actual \$6.93M, budget \$7.18M). This is mainly due to lower aquatics revenue as a result of the delay in the opening of Aaniin community centre. The budget for Aaniin community centre assumed a 9 week winter session (Jan-Mar) and a 14 week spring session (Mar-Jun) for a total of 23 weeks between Jan-Jun. However, due to the delay in the opening of the facility, only a 8 week program could be offered in the winter session (Feb-Apr) and a 10 week session in the spring (Apr-Jun) for a total of 18 weeks. This resulted in a revenue variance of (\$0.13M) in Aquatics which was partially offset by a corresponding favourable variance in part-time salaries of \$0.06M to a net unfavourable variance of (\$0.07M).

Recreation revenue was also unfavourable in ice rentals for non-prime hours (\$0.07M), and lower than anticipated fitness memberships at Centennial CC and Thornhill CC (\$0.05M). For comparison, the March 2017 year-to-date revenue variance was unfavourable (\$0.12M).

This is partially offset by favourable variances in: Legal fee revenue of \$0.13M due to a higher volume of site plan and sub-division agreements, and higher revenue from Theatre and Art Centre totaling \$0.11M.

#### Grants & Subsidy Revenues (Actual \$0.52M – Budget \$0.42M = Variance \$0.10M)

The YTD budget includes provincial and federal grants of \$0.40M. The favourable variance of \$0.10M resulted from federal and provincial grants for Library \$0.04M and Economic Development \$0.04M.

#### Other Income (Actual \$2.10M – Budget \$1.85M = Variance \$0.25M)

The favourable variance of \$0.25M resulted from Developer contribution revenue \$0.06M, financial services administrative fees \$0.04M due to a higher volume of site plan and sub-division agreements, and various department variances of less than (\$0.05M) each.

### PERSONNEL EXPENDITURES

**At the end of March, personnel expenditures were favourable by \$1.08M or 96.9% of the year-to-date budget.**

<b>Personnel</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Full time net of vacancy backfills and part time salaries	\$33.18 M	\$34.38 M	\$1.20 M
Overtime and other personnel costs	\$0.39 M	\$0.27 M	(\$0.12 M)
<b>Total</b>	<b>\$33.57 M</b>	<b>\$34.65 M</b>	<b>\$1.08 M</b>

At the end of March, there were 43 net temporary vacancies and a year-to-date average 43 net temporary vacancies resulting in a favourable variance of \$1.33M. This was partially offset by full year budgeted salary gapping of (\$0.45M). Part-time salaries were favourable by \$0.30M netting a favourable variance of \$1.20M.

Overtime was unfavourable by (\$0.12M) mainly due to coverage for approved absences in the fire department (\$0.08M) offset by a corresponding favourable full time variance of \$0.03M

### **NON-PERSONNEL EXPENDITURES**

**At the end of March, non personnel expenditures were favourable by \$0.66M or 98.1% of the year-to-date budget.**

<b>Non Personnel Items</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Materials & Supplies	\$ 1.03 M	\$ 1.11 M	\$ 0.08 M
Purchased Services	\$ 9.12 M	\$ 9.73 M	\$ 0.61 M
Transfers to Reserves	\$ 23.69 M	\$ 23.80 M	\$ 0.11 M
Other Expenditures	\$ 0.42 M	\$ 0.28 M	(\$ 0.14 M)
<b>Total</b>	<b>\$ 34.26 M</b>	<b>\$ 34.92 M</b>	<b>\$ 0.66 M</b>

**Materials & Supplies** (Actual \$1.03M – Budget \$1.11M = Variance \$0.08M)

Materials & supplies YTD budget of \$1.11M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.56M), vehicle supplies such as fuel and repair parts (budget \$0.37M), and printing and office supplies (budget \$0.12M).

The favourable variance of \$0.08M is primarily due to operating materials and supplies (eg. Uniforms and program expenses) \$0.05M and printing and office supplies \$0.02M.

**Purchased Services** (Actual \$9.12M – Budget \$9.73M = Variance \$0.61M)

Purchased services YTD budget of \$9.73M includes utilities and streetlight hydro (budget \$3.14M), waste collection (budget \$1.48M), insurance (budget \$1.62M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.69M).

Purchased Services were favourable \$0.61M primarily due to:

- \$0.24M favourable in utilities and streetlight hydro due to lower rate when compared to budget
- \$0.16M in professional fees/office supplies/training and travel
- \$0.06M favourable in maintenance and repairs (utility locates, facility maintenance)
- \$0.005M favourable in operating materials and supplies

**Transfers to Reserves** (Actual \$23.69M – Budget \$23.80M = Variance \$0.11M)

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

**Other Expenditures** (Actual \$0.42M – Budget \$0.28M = Variance (\$0.14M))

Other expenditures YTD budget of \$0.28M includes non-personnel ramp ups (\$0.23M).

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**FINANCIAL CONSIDERATIONS:**

Staff will continue to monitor the results of Operations each month and provide a year-end projection (including year-end accounting accruals and other adjustments) as part of the June 2018 year-to-date review of operations to be brought forward to General Committee in September 2018.

**RECOMMENDED**

2018-05-15

  
X

Joel Lustig  
Treasurer  
Signed by: cxa

2018-05-15

  
X

Trinela Cane  
Commissioner, Corporate Services  
Signed by: cxa

**ATTACHMENTS:****[Appendices 1 to 11:](#)**

Appendix 1 – Primary Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 2 – Library Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 4 – Engineering Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 5 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 6 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2018

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2018 – CAO's Office, Human Resources and Legal Department

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2018 – Community and Fire Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2018 – Corporate Services

Appendix 10 – Variances by Commission and Department for the three months ended March 31, 2018 – Development Services

Appendix 11 – Variances by Commission and Department for the three months ended March 31, 2018 – Corporate Items