



Report to: General Committee

Report Date: March 6, 2018

SUBJECT: 2017 Year-End Review of Operations
PREPARED BY: Andrea Tang, Senior Manager of Financial Planning
 Jay Pak, Senior Business Analyst

RECOMMENDATION:

- 1) THAT the report entitled “2017 Year-End Review of Operations” be received;
- 2) THAT the City’s 2017 net favourable variance of \$5.60M be transferred as follows, as per the approved Financial Planning and Budgeting Policy :
 - a. \$0.95M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy as per City policy;
 - b. \$4.65M to the Life-Cycle Capital Repair and Replacement Reserve;
- 3) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Council approved the 2017 annual operating budget of \$361.87M on December 13, 2016 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 2017 year-end operating results comparing actual to the annual operating budget.

Primary Operating Budget (Appendix 1)
(Includes Library, excludes Planning & Design, Engineering, Building Standards and Waterworks)

The 2017 results of operations incurred a net surplus of \$5.60M and the breakdown is shown below:

<u>(\$ in millions)</u>	<u>2017</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	216.99	215.39	1.60	100.7%
Expenses	<u>201.67</u>	<u>205.01</u>	<u>3.34</u>	98.4%
Surplus excluding winter maintenance	15.32	10.38	4.94	
Year-End Accounting Accruals & Other Adjustments	<u>1.65</u>	<u>1.19</u>	<u>(0.46)</u>	
Subtotal	13.67	9.19	4.48	
Winter Maintenance	<u>8.07</u>	<u>9.19</u>	<u>1.12</u>	
Net surplus including winter maintenance	<u>5.60</u>	<u>0.00</u>	<u>5.60</u>	

City's Surplus excluding year-end accounting accruals and other adjustments and winter maintenance

City's surplus excluding year-end accounting accruals and other adjustments and winter maintenance = Favourable variance \$4.94M

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Investment income	1.16	M	Salaries & benefits	5.76	M
Federal and Provincial grants	0.68	M	Utilities & streetlight hydro	1.73	M
Penalty & interest	0.27	M	Corporate contingency	1.25	M
Theatre and Arts Centre revenues	0.15	M	Contracted service agreements	0.53	M
Supplemental property taxes	(0.69)	M	Maintenance & repairs	0.51	M
Legislative services revenue (parking fines and taxi licenses)	(0.22)	M	Operating materials & supplies	0.29	M
Other	0.25	M	Professional services/ office supplies/ training/ travel	0.27	M
			Transfer to reserves	(6.48)	M
			Property Tax Adjustments	(0.77)	M
			Other	0.25	M
Total	1.60	M	Total	3.34	M

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Unfavourable variance (\$0.46M)

The 2017 year-end accounting accruals and other adjustments totaled \$1.65M against a budget of \$1.19M resulting in an unfavourable variance of (\$0.46M) due to the continuation of the ramp-up in the base budget which is anticipated to be fully ramped up by 2022. The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post retirement benefits and salary accrual.

The results of operations including the year-end accounting accruals and other adjustments were projected to be favourable \$6.08M based on September YTD results and a forecast for the remaining 3 months of the year. The year-end actual favourable variance is lower by \$1.60M when compared to the year-end forecast (\$4.48M - \$6.08M) due to the following:

- favourable variances that exceeded the forecast totaled \$3.95M. The main drivers were:
 - personnel costs of \$1.00M resulting from higher accrual in wage settlements than actual;
 - net investment income of \$0.68M (net of transfer to capital gains);
 - contracted services agreement and maintenance & repairs totaling \$0.60M;
 - utilities of \$0.50M from the delay in the opening of the Aaniin Community Centre & Library;
 - one-time revenue from developer access agreements of \$0.27M;
 - corporate contingency of \$0.20M;

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- lower unfavourable variance in supplemental property taxes of \$0.24M;
 - This is offset by a one-time transfer to the Life Cycle Replacement and Capital Reserve in order to repay the 2017 year-end balance owing in the amount of \$5.55M for the acquisition of 75 Clegg Road. The acquisition was approved by Council on May 15, 2012 for a total acquisition cost of \$6.45M which was funded from the Life Cycle Replacement & Capital Reserve Fund.

Winter Maintenance

Winter maintenance = Favourable variance \$1.12M

The 2017 actual winter maintenance expenditures totaled \$8.07M against a budget of \$9.19M, resulting in a favourable variance of \$1.12M.

Planning & Design (Appendix 3)

Actual \$2.27M – Budget \$0.48M = Favourable variance \$1.79M

Planning & Design incurred a surplus of \$2.27M against a budgeted surplus of \$0.48M. The favourable variance of \$1.79M was mainly due to higher planning fees from subdivision and site plan agreements in the fourth quarter and lower personnel costs from an average of 6 temporary net vacancies.

Engineering (Appendix 4)

Actual \$1.47M – Budget (\$0.07M) = Favourable variance \$1.54M

Engineering incurred a surplus of \$1.47M against a budgeted deficit of (\$0.07M). The favourable variance of \$1.54M was mainly due to higher than budgeted Engineering fees, particularly from subdivision and site plan agreements in the fourth quarter.

Planning & Engineering Development Fee Reserve (Appendix 5)

The 2017 budget anticipated a surplus of \$0.48M for Planning and a deficit of (\$0.07M) for Engineering totaling (\$0.41M).

The Planning & Design and Engineering departments ended the year with a surplus of \$3.74M (Planning \$2.27M and Engineering \$1.47M). A transfer of \$3.74M will be made to the Reserve reducing the balance from (\$10.74M) to (\$7.77M). (see Appendix 5)

Building Standards (Appendix 6)

Actual (\$0.82M) – Budget (\$0.49M) = Unfavourable variance (\$0.33M)

The Building Standards department incurred a deficit of (\$0.82M) against a budgeted deficit of (\$0.49M). The unfavourable variance of (\$0.33M) was mainly due to a lower number of building permits issued.

A draw of \$0.82M will be made from the Reserve reducing the balance from \$10.22M to \$9.35M (see Appendix 7).

Waterworks (Appendix 8)

Actual \$15.77M – Budget \$15.42M = Favourable variance \$0.35M

The Waterworks department incurred a surplus of \$15.77M against a budgeted surplus of \$15.42M. The main drivers for the favourable variance of \$0.35M were as follows:

- Lower personnel costs from an average of 5 net vacancies resulting in a favourable variance of \$0.73M;
- Lower non-personnel costs resulting in a favourable variance of \$1.16M due to lower operating and construction materials from fewer watermain breaks and lower supplies costs; offset by
- Lower than budgeted water sales partially offset by lower non-revenue water (non-revenue water was 10.3% compared to a budget of 11%) resulting in an unfavourable “net sales and purchases” variance of (\$1.55M).

A transfer of \$15.77M will be made to the Reserve increasing the balance from \$51.77M to \$60.68M. (see Appendix 9)

PURPOSE:

To report on the year-end actual 2017 operating budget results versus the budgeted 2017 operating budget.

BACKGROUND:

Council approved the 2017 annual operating budget of \$361.87M on December 13, 2016 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 departments’ day-to-day operations and capital programs.

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 twelve months ended December 31, 2017 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-end December results excluding year-end accounting accruals and other adjustments and winter maintenance:

<u>Commission</u>	<u>2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	5.19	5.52	0.33
Community & Fire Services (excl. winter maintenance)	95.47	101.43	5.96
Corporate Services	18.61	19.80	1.19
Development Services	6.39	6.40	0.01
Corporate Items	(131.26)	(133.15)	(1.89)
Net Expense/ (Revenue)	(5.60)	0	5.60

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 10)

<u>Department</u>	<u>2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.86	0.90	0.04
Human Resources	2.95	2.91	(0.04)
Legal	1.38	1.71	0.33
Net Expense	5.19	5.52	0.33

Legal (Actual \$1.38M – Budget \$1.71M = Variance \$0.33M)

Favourable variance mainly due to an average of one temporary net vacancy \$0.08M, lower than budgeted legal services \$0.10M and higher legal fee revenue from subdivision and site plan agreements \$0.08M.

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

<u>Department</u>	<u>2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Operations	30.64	33.72	3.08
Fire Services	34.96	35.80	0.84
Library	11.08	11.19	0.11
Recreation Services	9.74	11.35	1.61
Environmental Services	0.89	0.87	(0.02)
Waste	7.55	7.83	0.28
Commissioner's Office	0.61	0.67	0.06
Net Expense	95.47	101.43	5.96

Operations (Actual \$22.56M – Budget \$24.52M = Variance \$1.96M)

Favourable variance mainly due to an average of seven temporary net vacancies \$0.54M, streetlight hydro \$0.38M, streetlight maintenance and repairs \$0.32M, utility locates \$0.22M and contracted service agreements \$0.22M mainly due to the delay in the assumption of Highway 7 streetscape maintenance.

Fire Services (Actual \$34.96M – Budget \$35.80M = Variance \$0.84M)

Favourable variance mainly due to an average of eleven temporary net vacancies \$1.57M offset by unfavourable variance in overtime \$0.71M.

Library (Actual \$11.08M – Budget \$11.19M = Variance \$0.11M)

Favourable variance mainly due to an average of four temporary net vacancies.

Recreation (Actual \$9.69M – Budget \$11.35M = Variance \$1.66M)

(Net variance \$0.51M excluding Aaniin Community Centre)

Favourable variance mainly due to an average of three temporary net vacancies \$0.14M, part-time salaries lower than budget due to delay in the opening of Aaniin Community Centre & Library \$0.29M with a corresponding offset revenue unfavourable variance of (\$0.35M), lower utilities \$1.18M (\$0.83M due to Aaniin Community Centre & Library), and higher than budgeted revenues in camps \$0.12M due to the introduction of an improved camp search tool and an enhanced marketing campaign via mobile signs, billboards and social media that resulted in higher registrations.

Waste (Actual \$7.55M – Budget \$7.83M = Variance \$0.28M)

Favourable variance mainly due to higher than budgeted Waste Diversion Ontario grant \$0.16M.

Corporate Services (Appendix 12)

<u>Department</u>	<u>2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services & Corporate Communications	4.33	4.22	(0.11)
Financial Services	3.87	4.43	0.56
ITS	6.81	7.08	0.27
Sustainability & Asset Management	3.25	3.68	
Commissioner's Office	0.35	0.39	0.04
Net Expense	18.61	19.80	1.19

Legislative Services & Corporate Communications (Actual \$4.33M – Budget \$4.22M = Variance (\$0.11M))

Unfavourable variance mainly due to lower general sponsorships (\$0.18M), parking fines (\$0.11M), and taxi licenses (\$0.11M) offset by favourable variances in personnel and non-personnel costs totaling \$0.29M.

Financial Services (Actual \$3.87M – Budget \$4.43M = Variance \$0.56M)

Favourable variance mainly due to an average of one temporary net vacancy and personnel costs totalling \$0.52M and higher Financial Services user fees from ownership changes, non-property tax related charges and tax certificates totaling \$0.05M.

ITS (Actual \$6.81M – Budget \$7.08M = Variance \$0.27M)

Favourable variance mainly due to an average of two temporary net vacancies \$0.15M and communications (telephone data charges and services) \$0.10M.

Development Services (Appendix 13)

<u>Department</u>	<u>2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Culture & Economic Development	3.85	3.80	(0.05)
Traffic Operations	1.35	1.43	0.08
Commissioner's Office	1.19	1.17	(0.02)
Net Expense	6.39	6.40	0.01

Corporate Items (Appendix 14)

<u>Department</u>	<u>2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	(131.26)	(133.15)	(1.89)
Net Revenue	(131.26)	(133.15)	(1.89)

Favourable variances in corporate contingency \$1.25M, six temporary net vacancies \$1.22M, higher investment income \$1.16M and penalty and interest \$0.27M offset by a one-time transfer to the Life-Cycle Replacement and Capital Reserve Fund for the repayment of the 2017 year-end balance owing of \$5.55M for the acquisition of 75 Clegg Road.

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>2017</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	216.99	215.39	1.60	100.7%
Expenses	<u>201.67</u>	<u>205.01</u>	<u>3.34</u>	98.4%
Surplus excluding winter maintenance	15.32	10.38	4.94	

The 2017 actual operating results, excluding year-end accounting accruals and other adjustments and winter maintenance, against budget netted a favourable variance of \$4.94M (revenue of \$1.60M + expenses of \$3.34M) and the breakdown is as follows:

REVENUES

In 2017, revenues totalled \$216.99M against a budget of \$215.39M resulting in a favourable variance of \$1.60M (100.7% of budget).

Revenues	Actual	Budget	Fav./ (Unfav.)
Property Taxation Revenues	\$ 150.44 M	\$ 151.09 M	(\$ 0.65 M)
General Revenues	\$ 32.19 M	\$ 30.85 M	\$ 1.34 M
User Fees & Service Charges	\$ 26.47 M	\$ 26.45 M	\$ 0.02 M
Grant & Subsidy Revenues	\$ 2.26 M	\$ 1.64 M	\$ 0.62 M
Other Income	\$ 5.63 M	\$ 5.36 M	\$ 0.27 M
Net Variance	\$ 216.99 M	\$ 215.39 M	\$ 1.60 M

Property Taxation Revenues (Actual \$150.44M – Budget \$151.09M= Variance (\$0.65M))
Property taxation revenue includes property taxes (budget \$145.56M)

The unfavourable variance of (\$0.65M) is mainly from supplemental taxes (\$0.69M). This shortfall has been addressed through the 2018 Budget process.

General Revenues (Actual \$31.26M – Budget \$30.85M = Variance \$0.41M)

The general revenues budget includes investment income (budget \$21.89M), interest and penalties on property taxes (budget \$3.95M), parking fines (budget \$3.08M), and business, taxi, marriage and other licences (budget \$1.93M).

General revenues also include Alectra interest and dividends (budget \$11.51M) with a corresponding transfer in expenditures to the Life Cycle Replacement and Capital Reserve Fund. At year-end, a net \$1.00M was retained in the Operating Budget from Alectra interest and dividends.

General revenues totaled \$32.19M at the end of December against a budget of \$30.85M. The main drivers for the favourable variance of \$1.34M is investment income totaling \$1.16M from higher interest rate \$0.73M and portfolio balance \$0.43M, and higher interest and penalties \$0.27M.

User Fees and Service Charges (Actual \$26.47M – Budget \$26.45M = Variance \$0.02M)

The user fees and services charges budget of \$26.45M 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 \$17.38M), and facility rentals for arenas, pools, gym and halls (budget \$8.46M).

User fees and service charges were favourable by \$0.02M mainly from higher Theatre and Arts Centre revenues \$0.15M offset by unfavourable variance in Recreation revenues \$0.09M.

Grants & Subsidy Revenues (Actual \$2.26M – Budget \$1.64M = Variance \$0.62M)

The budget includes provincial and federal grants of \$1.64M. The favourable variance of \$0.62M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$5.63M – Budget \$5.36M = Variance \$0.27M)

The favourable variance of \$0.27M resulted from one-time revenue from developer access agreements.

PERSONNEL EXPENDITURES

In 2017 personnel expenditures were favourable by \$5.76M or 95.4% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$117.43 M	\$123.90 M	\$6.47 M
Overtime and other personnel costs	\$1.09 M	\$0.38 M	(\$0.71 M)
Total	\$118.52 M	\$124.28 M	\$5.76 M

In 2017, there was an average of 35 net temporary vacancies resulting in a favourable variance of \$5.57M. As well, part-time salaries was favourable by \$0.36M and a favourable variance of \$1.00M resulted from higher accrual in wage settlements than actual. This was

offset by full year budgeted salary gapping of (\$0.46M) and HRIS one-time implementation costs (\$0.14M).

Overtime was unfavourable by (\$0.71M) mainly due to coverage for approved absences in the Fire Department (offset by a corresponding favourable full-time variance of \$1.57M).

NON-PERSONNEL EXPENDITURES

In 2017, non personnel expenditures were unfavourable by (\$2.42M) (103.0% of budget).

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 5.18 M	\$ 5.60 M	\$ 0.42 M
Purchased Services	\$ 35.43 M	\$ 38.72 M	\$ 3.29 M
Transfers to Reserves	\$ 39.53 M	\$ 33.05 M	(\$ 6.48 M)
Other Expenditures	\$ 3.01 M	\$ 3.36 M	\$ 0.35 M
Total	\$ 83.15 M	\$ 80.73 M	(\$ 2.42 M)

Materials & Supplies (Actual \$5.18M – Budget \$5.60M = Variance \$0.42M)

Materials & supplies budget of \$5.60M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.70M), vehicle supplies such as fuel and repair parts (budget \$1.58M), and printing and office supplies (budget \$0.44M).

The favourable variance of \$0.42M was primarily due to operating materials and supplies (eg. building maintenance supplies, uniforms, program expenses) \$0.29M, printing and office supplies of \$0.04M and construction materials \$0.04M

Purchased Services (Actual \$35.43M – Budget \$38.72M = Variance \$3.29M)

Purchased services budget of \$38.72M includes utilities and streetlight hydro (budget \$12.02M), waste collection (budget \$10.76M), maintenance & repairs (\$5.62M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$2.81M), insurance (\$2.43M), communications (\$1.28M) and promotion and advertising (budget \$1.30M).

Purchased Services were favourable \$3.39M mainly due to:

- \$1.73M favourable in utilities and streetlight hydro due to the Provincial Government's Fair Hydro Plan, global adjustments in the rate and delay in the opening of the Aaniin Community Centre and Library (\$0.83M)
- \$0.53M favourable in other contracted services mainly due to the delay in assumption of Highway 7 streetscaping maintenance (\$0.22M)
- \$0.51M favourable in maintenance & repairs
- \$0.22M favourable in professional fees, training, and travel

Transfers to Reserves (Actual \$39.53M – Budget \$33.05M = Variance (\$6.48M)

Transfers totaling \$6.48M were made to the Life Cycle Replacement and Capital Reserve Fund, Capital Gains Reserve, Insurance Reserve, and WSIB Reserve.

Other Expenditures (Actual \$3.01M – Budget \$3.36M = Variance \$0.35M)

Other expenditures budget of \$3.56M includes property tax adjustments and property vacancy rebates (budget \$0.86M), corporate contingency (budget \$1.32M), non-personnel ramp ups (\$0.71M) and grants (\$0.50M).

Other expenditures were favourable by \$0.35M due to favourable variance in corporate contingency \$1.25M offset by unfavourable variance in property tax adjustments \$0.77M and other variances of less than \$0.05M across various departments.

Summary of One-Time Items

There were several one-time items affecting the City's 2017 year-end results. These items are either one-time revenues or expenses incurred in 2017. In some cases, budgets have been adjusted in 2018 where needed. They have been summarized below:

- \$5.76M net favourable in personnel primarily due to temporary net vacancies (average 35 net temporary vacancies out of the total tax funded full-time complement of 858, or 4.1% of the full-time complement)
- \$1.73M favourable in hydro and streetlight hydro (\$0.83M due to the delay in the opening of the Aaniin Community Centre & Library) (2018 Budget to remain at the 2017 Budget level)
- \$1.25M favourable in corporate contingency (Budget \$1.32M, 0.6% of the City's Operating Budget of \$215.39M)
- \$0.72M favourable in various departmental non-personnel and revenue accounts (E3 net items adjusted in the 2018 Budget)
- \$0.68M net favourable in investment income
- \$0.27M favourable in property tax penalty and interest (adjusted in 2018 Budget)
- (\$5.55M) one-time transfer to reserve for the repayment of 75 Clegg Road
- (\$0.77M) unfavourable property tax adjustments (continuing to be ramped up for in 2018 Budget)
- (\$0.69M) unfavourable supplemental property taxes (adjusted in 2018 Budget)
- (\$0.46M) unfavourable variance due to year-end accounting accruals and other adjustments (continuing to be ramped up for in 2018 Budget)

Total: \$2.94M favourable variance

After adjusting for the above items, the City's results of operations including year-end accounting accruals and other adjustments would result in a surplus of \$1.54M (\$4.48M - \$2.94M).

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Unfavourable variance (\$0.46M)

The 2017 year-end accounting accruals and other adjustments totaled \$1.65M against a budget of \$1.19M resulting in an unfavourable variance of (\$0.46M). They included severance and salary continuance payments, firefighter sick leave payouts, post retirement benefits and salary accrual.

Winter Maintenance

Winter maintenance = Favourable variance \$1.12M
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The 2017 actual winter maintenance expenditures totaled \$8.07M against a budget of \$9.19M, resulting in a favourable variance of \$1.12M.

Planning & Design (Appendix 3)

Actual \$2.27M – Budget \$0.48M = Favourable variance \$1.79M

In 2017, Planning & Design incurred a surplus of \$2.27M against a budgeted surplus of \$0.48M. The favourable variance of \$1.79M was mainly due to higher Planning fees from subdivision and site plan agreements in the fourth quarter of the year.

Engineering (Appendix 4)

Actual \$1.47M – Budget (\$0.07M) = Favourable variance \$1.54M

The favourable variance of \$1.54M was mainly due to higher than budgeted Engineering fees, particularly from subdivision and site plan agreements in the fourth quarter.

Planning & Engineering Development Fee Reserve (Appendix 5)

The 2017 budget anticipated a surplus of \$0.48M for Planning and a deficit of (\$0.07M) for Engineering totaling (\$0.41M).

The Planning & Design and Engineering departments ended the year with a total surplus of \$3.74M (Planning surplus of \$2.27M and Engineering surplus of \$1.47M). A transfer of \$3.74M will be made to the Reserve reducing the balance from (\$10.74) to (\$7.77M). (see Appendix 5)

Building Standards (Appendix 6)

Actual (\$0.82M) – Budget (\$0.49M) = Unfavourable variance (\$0.33M)

The Building Standards department incurred a deficit of (\$0.82M) against a budgeted deficit of (\$0.49M). The unfavourable variance of (\$0.33M) was mainly due to a lower number of building permits issued.

A draw of \$0.82M will be made from the Reserve reducing the balance from \$10.22M to \$9.35M (see Appendix 7).

Waterworks (Appendix 8)

Actual \$15.77M – Budget \$15.42M = Favourable variance \$0.35M

The Waterworks department incurred a surplus of \$15.77M against a budgeted surplus of \$15.42M in 2017. The main drivers for the favourable variance of \$0.35M were as follows:

- Lower personnel costs resulting in an favourable variance of \$0.73M;
- Lower non-personnel costs resulting in a favourable variance of \$1.16M due to lower operating and construction materials from lower watermain breaks and lower supplies costs; offset by
- Lower than budgeted water sales partially offset by lower non-revenue water (non-revenue water was 10.3% compared to a budget of 11%) resulting in an unfavourable “net sales and purchases” variance of (\$1.55M).

A transfer of \$15.77M will be made to the Reserve increasing the balance from \$51.77M to \$60.68M. (see Appendix 9)

FINANCIAL CONSIDERATIONS:

The 2017 draft consolidated financial statements will be presented to General Committee in April 2018. The year-end results presented in this report are subject to change based on the results of the external audit.

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 transferred to the Life Cycle Replacement and Capital Reserve Fund.

The 2017 operating surplus of \$5.60M will be transferred as follows:

- a. \$0.95M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
- b. \$4.65M to the Life-Cycle Capital Repair and Replacement Reserve.

RECOMMENDED

2018-02-26

2018-02-26

X

Joel Lustig
Treasurer
Signed by: cxa

X

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENTS:

[Appendices 1 to 14:](#)

Appendix 1 – Primary Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 2 – Library Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 4 – Engineering Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at December 31, 2017

Appendix 6 – Building Standards Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 7 – Building Fee Reserve Balance as at December 31, 2017

Appendix 8 – Waterworks Operating Budget - Financial Results for the Twelve Months Ended December 31, 2017

Appendix 9 – Waterworks Reserve Balance as at December 31, 2017

Appendix 10 – Variances by Commission and Department for the twelve months ended December 31, 2017 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the twelve months ended December 31, 2017 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the twelve months ended December 31, 2017 – Corporate Services

Appendix 13 – Variances by Commission and Department for the twelve months ended December 31, 2017 – Development Services