



Report to: General Committee

Meeting Date: November 14, 2017

SUBJECT: 2017 September Year-To-Date Review of Operations and Year-end Projection

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RECOMMENDATION:

- 1) THAT the report entitled “2017 September Year-To-Date Review of Operations” be received.

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 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, 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).

**Surplus (incl. winter maintenance): Actual \$45.16M – Budget \$36.84M
= Favourable variance \$8.32M**

The City operations YTD September surplus, excluding winter maintenance, was \$50.10M against a budget of \$43.66M, resulting in a favourable variance of \$6.44M. As noted above, the net City operations including winter maintenance, incurred a favourable variance of \$8.32M.

<u>(\$ in millions)</u>	<u>YTD Sept 2017</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	195.44	193.86	1.58	100.8%
Expenses	<u>145.34</u>	<u>150.20</u>	<u>4.86</u>	96.8%
Surplus excluding winter maintenance	50.10	43.66	6.44	
Winter Maintenance	<u>4.94</u>	<u>6.82</u>	<u>1.88</u>	
Net surplus including winter maintenance	<u>45.16</u>	<u>36.84</u>	<u>8.32</u>	

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$6.44M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Supplemental property taxes	(0.69)	M	Salaries & benefits	3.00	M
Federal and Provincial grants	0.53	M	Utilities & streetlight hydro	0.60	M
Recreation services revenue	0.26	M	Professional services/ office supplies/ training/ travel	0.41	M
Operations Revenue	0.16	M	Contracted service agreements	0.34	M
Licenses & permits	0.16	M	Maintenance & repairs	0.31	M
Penalty & interest	0.25	M	Property tax adjustment	0.30	M
Parking fines	0.09	M	Operating materials & supplies	0.25	M
Investment income	0.50	M	Other	(0.35)	M
Other	(0.37)	M			
Total	1.58	M	Total	4.86	M

Winter Maintenance**Winter maintenance = Favourable variance \$1.88M**

The 2017 actual winter maintenance expenditures at the end of the September totaled \$4.94M against a budget of \$6.82M, resulting in a favourable variance of \$1.88M.

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)	\$6.63M
2. Year-end accounting accruals and other adjustments	(\$0.55M)
Total	\$6.08M
3. Winter maintenance favourable variance	\$0.94M
Surplus	\$7.02M

Based on the September year-to-date results, Staff is projecting a favourable year-end variance of \$6.08M (including year-end accounting accruals and other adjustments, and excluding winter maintenance). This projection is the same amount as the July projection.

The City is forecasting year-end spending at 97.2% of the expenditure budget (including year-end accounting accruals and other adjustments), resulting in an operating surplus of \$6.08M (\$7.63M – \$0.55M).

The projected favourable variance is due to 39 net temporary vacancies, and lower expenditures in hydro and streetlight hydro due to the Provincial Government's Fair Hydro Plan and global adjustments in the rate, professional services, office supplies, travel, training, corporate contingencies and a one-time net favourable variance of \$0.85M due to delay in the opening of the Aaniin Community Centre & Library, offset partially by unfavourable variances in fire overtime and property tax adjustments.

The City is projecting to collect 100.0% of the revenue budget, resulting in the City being on budget for revenue.

The projected favourable variance is mainly due to a combination of favourable variances in higher Federal/Provincial grants and interest and penalties, offset by unfavourable variances in supplemental property taxes and corporate sponsorships.

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 2017 year-end accounting accruals and other adjustments are estimated at a net cost of (\$0.55M).

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end favourable variance of \$0.94M, based on an assumption of 40% unfavourable variance for the last six weeks of the year which is consistent with the results experienced in the fourth quarter of 2016.

Planning & Design (Appendix 3)

Actual (\$0.82M) – Budget \$0.40M = Unfavourable variance (\$1.22M)
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At the end of September, the Planning department incurred a deficit of (\$0.82M) against a budgeted surplus of \$0.40M. The unfavourable variance of (\$1.22M) was mainly due to lower than budgeted Planning and Design fees by (\$1.80M) offset by lower personnel costs of \$0.56M from a year-to-date average of three temporary net vacancies.

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$0.57M compared to a budgeted surplus of \$0.48M. This will result in a transfer to reserve of \$0.57M (a favourable variance to budget of \$0.09M). The projected surplus is due to a severance application and favourable revenues anticipated in November and December. This is partially offset by unfavourable Planning fees. This projection is the same amount as the July projection.

Engineering (Appendix 4)

Actual \$1.12M – Budget \$0.06M = Favourable variance \$1.06M
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At the end of September, the Engineering Department incurred a surplus of \$1.12M against a budgeted surplus of \$0.06M. The favourable variance of \$1.06M was mainly due to higher than budgeted Engineering fees.

Year-End Projection:

Engineering is projecting a year-end surplus of \$0.70M compared to a budgeted deficit of (\$0.08M). This will result in a transfer to reserve of \$0.70M primarily due to higher Engineering fees than budgeted. This projection is the same amount as the July projection.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$10.17M) at year-end (see Appendix 5).

Building Standards (Appendix 5)

Actual (\$1.22M) – Budget (\$0.96M) = Unfavourable variance (\$0.26M)
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At the end of September, the Building Standards department incurred a deficit of (\$1.22M) against a budgeted deficit of (\$0.96M). The unfavourable variance of (\$0.26M) was mainly due to lower personnel costs of \$0.27M from a year-to-date average of three temporary net vacancies.

Year-End Projection:

Staff is projecting a year-end deficit of (\$0.98M) compared to a budgeted deficit of (\$0.49M). This will result in a draw from reserve of (\$0.98M) which is higher than the budgeted deficit of (\$0.49M). This projection is the same amount as the July projection.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$8.27M at year-end (see Appendix 7).

Waterworks (Appendix 8)

Actual \$10.91M – Budget \$11.69M = Unfavourable variance (\$0.79M)
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At the end of September, the Waterworks department incurred a surplus of \$10.91M against a budgeted surplus of \$11.69M. The main drivers for the unfavourable variance of (\$0.79M) were as follows:

- Lower than budgeted water sales partially offset by lower non-revenue water, year-to-date September average actual non-revenue water (NRW) was 10.1% compared to a budget of 11.0% (the 12 month average NRW is 10.5%, October 2016 – September 2017);
- Lower non-personnel costs resulting in a favourable variance of \$1.19M due to lower operating and construction materials and supplies costs;

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- Lower personnel costs from a year-to-date average of five temporary net vacancies in a favourable variance of \$0.48M;

Year-End Projection:

Based on the September year-to-date results, Waterworks is projecting a year-end surplus of \$14.92M against a budget surplus of \$15.42M. This will result in a lower transfer to reserve of \$0.50M. The year end projection has been reduced from \$15.59M (July projection) to \$14.92M based on year-to-date results.

The Waterworks reserve balance is projected to be \$60.75M at year-end (see Appendix 9).

PURPOSE:

To report on the year-to-date actual 2017 operating budget results versus the budgeted 2017 operating budget as at September 31, 2017, and to provide year-end projections against the annual budgets.

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 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 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-to-date September results:

<u>Commission</u>	<u>YTD Sept 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	3.67	3.98	0.31
Community & Fire Services (excl. winter maintenance)	63.60	66.86	3.26
Corporate Services	14.25	15.61	1.36
Development Services	4.82	5.07	0.25
Corporate Items	(136.44)	(135.18)	1.26
<u>Net Expense/ (Revenue)</u>	<u>(50.10)</u>	<u>(43.66)</u>	<u>6.44</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 Sept 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.51	0.55	0.04
Human Resources	2.11	2.18	0.07
Legal	1.05	1.25	0.20
<u>Net Expense</u>	<u>3.67</u>	<u>3.98</u>	<u>0.31</u>

Legal (Actual \$1.05M – Budget \$1.25M = Variance \$0.20M)

Favourable variance mainly due to lower external legal costs \$0.08M and higher legal fee revenue \$0.05M.

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

<u>Department</u>	<u>YTD Sept 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Operations	16.95	18.56	1.61
Fire Services	26.43	27.11	0.68
Library	8.18	8.30	0.12
Recreation Services	5.43	6.10	0.67
Environmental Services	0.70	0.69	(0.01)
Waste	5.48	5.62	0.14
Commissioner's Office	0.43	0.48	0.05
Net Expense	63.60	66.86	3.26

Operations (Actual \$16.95M – Budget \$18.56M = Variance \$1.61M)

Favourable variance mainly due to seven temporary net vacancies \$0.52M, streetlight maintenance and repairs \$0.40M and contracted service agreements \$0.32M mainly due to the delay in the assumption of Highway 7 streetscape maintenance.

Fire Services (Actual \$26.43M – Budget \$27.11M = Variance \$0.68M)

Favourable variance mainly due to seven temporary net vacancies \$0.51M and operating materials and supplies \$0.05M

Library (Actual \$8.18M – Budget \$8.30M = Variance \$0.12M)

Favourable variance mainly due to four temporary net vacancies.

Recreation (Actual \$5.43M – Budget \$6.10M = Variance \$0.67M)

Favourable variance mainly due to three temporary net vacancies \$0.17M, lower utilities \$0.32M, and higher than budgeted revenues in camps \$0.20M due to the introduction of a camp search tool on the City's website and an enhanced marketing campaign via mobile signs, billboards and social media that resulted in higher registrations.

Waste (Actual \$5.48M – Budget \$5.62M = Variance \$0.14M)

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

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD Sept 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services & Corporate Communications	3.24	3.57	0.33
Financial Services	2.73	3.34	0.61
ITS	5.55	5.74	0.19
Sustainability & Asset Management	2.46	2.66	0.20
Commissioner's Office	0.27	0.30	0.03
Net Expense	14.25	15.61	1.36

Legislative Services & Corporate Communications (Actual \$3.24M – Budget \$3.57M = Variance \$0.33M)

Favourable variance mainly due to parking fines \$0.10M and six temporary net vacancies \$0.48M partially offset by part-time salaries (\$0.18M) and full year salary gapping of (\$0.04M).

Financial Services (Actual \$2.73M – Budget \$3.34M = Variance \$0.61M)

Favourable variance mainly due to one temporary net vacancy and personnel costs \$0.46M and Financial Services user fees: ownership changes, non-property tax related charges and tax certificates totalling \$0.11M.

ITS (Actual \$5.55M – Budget \$5.74M = Variance \$0.19M)

Favourable variance mainly due to two temporary net vacancies \$0.11M and telephone services \$0.06M

Sustainability & Asset Management (Actual \$2.46M – Budget \$2.66M = Variance \$0.20M)

Favourable variance mainly due to rental revenue of \$0.09M, utilities of \$0.06M, and contracted service agreements \$0.04M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD Sept 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	2.97	3.13	0.16
Traffic Operations	0.94	1.05	0.11
Commissioner's Office	0.91	0.89	(0.02)
Net Expense	4.82	5.07	0.25

Culture & Economic Development (Actual \$2.97M – Budget \$3.13M = Variance \$0.16M)

Favourable variance mainly due to Federal program grants \$0.08M and Provincial program grants \$0.20M offset by part-time salaries (\$0.15M).

Traffic Operations (Actual \$0.94M – Budget \$1.05M = Variance \$0.11M)

Favourable variance mainly due to lower utility locate requests \$0.15M.

Corporate Items

<u>Department</u>	<u>YTD Sept 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	(136.44)	(135.18)	1.26
Net Revenue	(136.44)	(135.18)	1.26

Favourable variance mainly due to six temporary net vacancies of \$0.55M, penalty and interest \$0.25M and investment income \$0.50M.

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 \$6.44M and the breakdown is as follows:

REVENUES

At the end of September, revenues totalled \$195.44M against a budget of \$193.86M resulting in a favourable variance of \$1.58M or 100.8% of the year-to-date budget.

Revenues	Actual	Budget	Fav./(Unfav.)
Property Taxation Revenues	\$ 149.95 M	\$ 150.64 M	(\$ 0.69 M)
General Revenues	\$ 18.41 M	\$ 17.35 M	\$ 1.06 M
User Fees & Service Charges	\$ 21.19 M	\$ 20.77 M	\$ 0.42 M
Grant & Subsidy Revenues	\$ 1.56 M	\$ 1.03 M	\$ 0.53 M
Other Income	\$ 4.33 M	\$ 4.07 M	\$ 0.26 M
Net Variance	\$ 195.44 M	\$ 193.86 M	\$ 1.58 M

Property Taxation Revenues (Actual \$149.95M – Budget \$150.64M= Variance (\$0.69M))
Property taxation revenue YTD budget includes property taxes (budget \$150.65M).

YTD property taxes were unfavourable by (\$0.69M) mainly due to supplemental property taxes which are forecasted to be unfavourable by (\$0.93M) at year end. This shortfall has been addressed through the 2018 Budget process.

General Revenues (Actual \$18.41M – Budget \$17.35M = Variance \$1.06M)

The general revenues YTD budget of \$17.35M includes investment income (budget \$10.63M), property tax penalty and interest (budget \$3.12M), parking fines (budget \$2.10M) and business, taxi, marriage and other licences (budget \$1.49M).

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 \$18.41M at the end of September against a YTD budget of \$17.35M. The main drivers for the favourable variance of \$1.06M are licenses and permits of \$0.16M, investment income of \$0.50M resulting from a higher portfolio balance and property tax penalty and interest of \$0.25M.

User Fees and Service Charges (Actual \$21.19M – Budget \$20.77M= Variance \$0.42)

The user fees and services charges YTD budget of \$20.77M 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 \$14.89M), and facility rentals for arenas, pools, gym and halls (budget \$5.87M).

User fees and service charges were favourable by \$0.44M, the main drivers of which were:

Recreation

Recreation revenues were favourable by \$0.26M (actual \$17.01M, budget \$16.83M) mainly due to higher than budgeted camps \$0.13M, fitness \$0.06M and programs \$0.03M. For comparison, the September 2016 year-to-date revenue variance was unfavourable (\$0.22M).

Culture revenues were favourable by \$0.21M (actual \$2.65M, budget \$2.44M) mainly due to Federal grants \$0.08M, rentals \$0.05M, and camp and program registrations \$0.08M. This is partially offset by unfavourable artist fees (\$0.04M) and part time salaries (\$0.12M).

Grants & Subsidy Revenues (Actual \$1.56M – Budget \$1.03M = Variance \$0.53M)

The YTD budget includes Provincial and Federal grants of \$0.99M. The favourable variance of \$0.47M resulted from the receipt of one-time federal and provincial grants of which \$0.14M is from the WDO grant.

Other Income (Actual \$4.33M – Budget \$4.07M = Variance \$0.26M)

The favourable variance of \$0.26M resulted from various department variances of less than (\$0.01M) each.

PERSONNEL EXPENDITURES

At the end of September, personnel expenditures were favourable by \$3.00M or spending of 96.7% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$87.81 M	\$91.29 M	\$3.48 M
Overtime and other personnel costs	\$1.23 M	\$0.75 M	(\$0.48 M)
Total	\$89.04 M	\$92.04 M	\$3.00 M

At the end of September, there were 39 net temporary vacancies resulting in a favourable variance of \$4.05M. This was partially offset by full-year budgeted salary gapping of (\$0.45M), HRIS project one-time implementation costs of (\$0.11M) and part-time salaries of \$0.08M netting a favourable variance of \$3.48M.

Overtime and other personnel costs were unfavourable by (\$0.48M).

NON-PERSONNEL EXPENDITURES

At the end of September, non personnel expenditures were favourable by \$1.86M or spending of 96.8% of the year-to-date budget.

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 3.73 M	\$ 4.20 M	\$ 0.47 M
Purchased Services	\$ 25.87 M	\$ 27.67 M	\$ 1.80 M

Transfers to Reserves	\$ 25.28 M	\$ 25.08 M	(\$ 0.20 M)
Other Expenditures	\$ 1.42 M	\$ 1.21 M	(\$ 0.21 M)
Total	\$ 56.30 M	\$ 58.16 M	\$ 1.86 M

Materials & Supplies (Actual \$3.73M – Budget \$4.20M = Variance \$0.47M)

Materials & supplies YTD budget of \$4.20M includes building maintenance supplies, uniforms, recreation and other program supplies (budget \$0.93M), vehicle supplies such as fuel and repair parts (budget \$1.06M), and printing and office supplies (budget \$0.30M).

The favourable variance of \$0.47M is primarily due to operating materials and supplies \$0.15M (eg. uniforms, equipment and program expenses), printing and office supplies \$0.05M, and diesel fuel \$0.08M which is price driven.

Purchased Services (Actual \$25.87M – Budget \$27.67M = Variance \$1.80M)

Purchased services YTD budget of \$27.67M includes utilities and streetlight hydro (budget \$7.65M), waste collection (budget \$4.62M), insurance (budget \$1.44M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.98M).

Purchased Services were favourable \$1.80M primarily due to:

- \$0.58M favourable in utilities and streetlight hydro due to the Provincial Government's Fair Hydro Plan and global adjustments in the rate
- \$0.18M favourable in maintenance and repairs (utility locates, facility maintenance)
- \$0.10M favourable in other contracted services mainly due to the delay in assumption of Highway 7 streetscaping maintenance
- \$0.33M light and traffic signal maintenance
- \$0.19M favourable in professional fees, training, and travel (excl. office supplies of \$0.05M which is included under Materials & Supplies)

Transfers to Reserves (Actual \$25.28M – Budget \$25.08M = Variance (\$0.20M))

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

Other Expenditures (Actual \$1.42M – Budget \$1.21M = Variance (\$0.21M))

Other expenditures YTD budget of \$1.21M includes non-personnel ramp ups (\$0.40M).

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)	\$6.63M
2. Year-end accounting accruals and other adjustments	(\$0.55M)
Total	\$6.08M
3. Winter maintenance favourable variance	\$0.94M
Surplus	\$7.02M

Staff monitors the month and YTD results from operations closely to identify any risks to achieving a balanced budget, and opportunities for generating a surplus to offset the year-end accounting accruals and other adjustments.

Based on the September year-to-date results, Staff is projecting a favourable year-end variance of \$6.08M (including year-end accounting accruals and other adjustments, and excluding winter maintenance). This projection is the same amount as the July projection.

The projected favourable variance is mainly due to a favourable variance in net personnel costs from an average 39 net temporary vacancies. Other favourable variances include hydro and streetlight hydro due to the Provincial Government's Fair Hydro Plan and global adjustments in the rate, professional services, office supplies, travel, training, corporate contingencies and a one-time net favourable variance of \$0.85M due to delay in the opening of the Aaniin Community Centre & Library, offset partially by unfavourable variances in fire overtime and property tax adjustments.

The projected favourable variance is mainly due to a combination of favourable variances in higher Federal/Provincial grants and interest and penalties, offset by unfavourable variances in supplemental property taxes and corporate sponsorships.

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 2017 year-end accounting accruals and other adjustments are estimated at a net cost of (\$0.55M).

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

- \$3.30M 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)
- \$1.10M favourable in corporate contingency (Budget \$1.30M, 0.6% of the City's Operating Budget of \$215.39M)
- \$0.85M one-time favourable variance due to delay in the opening of the Aaniin Community Centre and Library;

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- \$0.72M favourable in various departmental non-personnel and revenue accounts (E3 net items to be adjusted in the 2018 Budget)
 - \$0.50M favourable in investment income
 - \$0.42M favourable in hydro and streetlight hydro (2018 Budget to remain at the 2017 Budget level)
 - \$0.21M favourable in property tax penalty and interest (to be adjusted in 2018 Budget)
 - (\$0.21M) unfavourable variance in property taxation due to lower assessment growth than budgeted (to be adjusted in the 2018 Budget)
 - (\$0.26M) unfavourable variance due to year-end accounting accruals and other adjustments (continuing to be ramped up for in 2018 Budget)
 - (\$0.39M) unfavourable property tax adjustments (continuing to be ramped up for in 2018 Budget)
 - (\$0.69M) unfavourable supplemental property taxes (projected to be (\$0.69M) shortfall in 2018 Budget to be adjusted in the 2018 Budget)

Total: \$5.55M

Based on the projected year-end variance of \$6.08M, after adjusting for the above items totaling (\$5.55M) and the transfer to the Corporate Rate Stabilization Reserve of approximately (\$1.00M) 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 favourable variance of \$0.94M, based on an assumption of 40% unfavourable variance for the last six weeks of the year which is consistent with the results experienced in Q4 2016.

Planning & Design

Planning & Design is projecting a year-end surplus of \$0.57M compared to a budgeted surplus of \$0.48M. This will result in a transfer to reserve of \$0.57M (a favourable variance to budget of \$0.09M). The projected surplus is due to a severance application and favourable revenues anticipated in November and December. This is partially offset by unfavourable Planning fees. This projection is the same amount as the July projection.

Engineering

Engineering is projecting a year-end surplus of \$0.70M compared to a budgeted deficit of (\$0.08M). This will result in a transfer to reserve of \$0.70M primarily due to higher Engineering fees than budgeted. This projection is the same amount as the July projection.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$10.17M) at year-end (see Appendix 5).

Building Standards

Staff is projecting a year-end deficit of (\$0.98M) compared to a budgeted deficit of (\$0.49M). This will result in a draw from reserve of (\$0.98M) which is higher than the budgeted deficit of (\$0.49M) by (\$0.49M). The variance is due to lower building permits expected in the third and fourth quarter than budgeted. This projection is the same amount as the July projection.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$7.20M at year-end (see Appendix 7).

Waterworks

Based on the September year-to-date results, Waterworks is projecting a year-end surplus of \$14.92M against a budget surplus of \$15.42M. This will result in a lower transfer to reserve of \$0.50M. The year end projection has been reduced from \$15.59M (July projection) to \$14.92M based on year-to-date results.

The Waterworks reserve balance is projected to be \$60.75M at year-end (see Appendix 9).

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month, and provide an updated year-end projection as part of the September 2017 year-to-date review of operations to be brought forward to General Committee in November 2017.

RECOMMENDED:

2017-11-13

2017-11-13



Joel Lustig
Treasurer
Signed by: cxa



Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

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

Appendix 1 – Primary Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 2 – Library Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 4 – Engineering Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at September 30, 2017

Appendix 6 – Building Standards Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 7 – Building Fee Reserve Balance as at September 30, 2017

Appendix 8 – Waterworks Operating Budget - Financial Results for the Nine Months Ended September 30, 2017

Appendix 9 – Waterworks Reserve Balance as at September 30, 2017

Appendix 10 – Variances by Commission and Department for the Nine months ended September 30, 2017 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the nine months ended September 30, 2017 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the nine months ended September 30, 2017 – Corporate Services

Appendix 13 – Variances by Commission and Department for the nine months ended September 30, 2017 – Development Services

Appendix 14 – Variances by Commission and Department for the nine months ended September 30, 2017 – Corporate Items