



Report to: General Committee

Meeting Date: October 2, 2017

SUBJECT: 2017 July Year-To-Date Review of Operations and Year-end Projection
PREPARED BY: Andrea Tang, Senior Manager of Financial Planning
Matthew Vetere, Senior Financial Analyst

RECOMMENDATION:

1) THAT the report entitled “2017 July 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 July 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 July results (January 1 to July 31).

Surplus (incl. winter maintenance): Actual \$47.31M – Budget \$40.00M = Favourable variance \$7.31M
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The City operations YTD July surplus, excluding winter maintenance, was \$52.25M against a budget of \$46.82M, resulting in a favourable variance of \$5.43M. As noted above, the net City operations including winter maintenance, incurred a favourable variance of \$7.31M.

(\$ in millions)	<u>YTD July 2017</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	168.29	166.92	1.37	100.8%
Expenses	116.04	120.10	4.06	96.6%
Surplus excluding winter maintenance	52.25	46.82	5.43	
Winter Maintenance	4.94	6.82	1.88	
Net surplus including winter maintenance	47.31	40.00	7.31	

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$5.43M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Federal and Provincial grants	0.47	M	Salaries & benefits	2.40	M
Recreation services revenue	0.24	M	Utilities & streetlight hydro	0.42	M
Theatre revenue	0.11	M	Contracted service agreements	0.38	M
Penalty & interest	0.11	M	Maintenance & repairs	0.37	M
Parking fines	0.11	M	Professional services/ office supplies/ training/ travel	0.33	M
Investment income	0.09	M	Operating materials & supplies	0.21	M
Other	0.24	M	Property tax adjustment	(0.11)	M
			Other	0.06	M
Total	1.37	M	Total	4.06	M

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

The 2017 actual winter maintenance expenditures at the end of the July 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 July 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).

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 (\$6.63M – (\$0.55M)).

The projected favourable variance is due to 35 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 achieve 100.0% of the revenue budget, resulting in the City being on budget for revenue.

The revenue projection being on budget is the result of 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 (\$0.91M) – Budget (\$0.65M) = Unfavourable variance (\$0.26M)
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At the end of July, the Planning department incurred a deficit of (\$0.91M) against a budgeted deficit of (\$0.65M). The unfavourable variance of (\$0.26M) was mainly due to lower than budgeted Planning and Design fees by (\$0.63M) offset by lower personnel costs of \$0.35M from a year-to-date average of four 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 favourable personnel variances due to continuation of 3 net average vacancies to year-end partially offset by unfavourable Planning fees.

Engineering (Appendix 4)

Actual (\$0.22M) – Budget (\$0.63M) = Favourable variance \$0.41M
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At the end of July, the Engineering Department incurred a deficit of (\$0.22M) against a budgeted deficit of (\$0.63M). The favourable variance of \$0.41M 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.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$10.11M) at year-end (see Appendix 5).

Building Standards (Appendix 5)

Actual (\$0.19M) – Budget (\$0.42M) = Favourable variance \$0.23M
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At the end of July, the Building Standards department incurred a deficit of (\$0.19M) against a budgeted deficit of (\$0.42M). The favourable variance of \$0.23M was mainly due to lower personnel costs of \$0.16M from a year-to-date average of five 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). The variance is due to lower building permits expected in the third and fourth quarter than budgeted.

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 6)

Actual \$6.99M – Budget \$7.47M = Unfavourable variance (\$0.48M)
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At the end of July, the Waterworks department incurred a surplus of \$7.00M against a budgeted surplus of \$7.47M. The main drivers for the unfavourable variance of (\$0.47M) were as follows:

- Lower than budgeted water sales and higher non-revenue water, year-to-date June average actual non-revenue water (NRW) was 12.3% compared to a budget of 11.0% resulting in an unfavourable “net sales and purchases” variance of (\$1.52M) (the 12 month rolling average NRW is 9.8%, July 2016 – June 2017); partially offset by:
- Lower non-personnel costs resulting in a favourable variance of \$0.76M due to lower operating and construction materials and supplies costs;
- Lower personnel costs from a year-to-date average of eight temporary net vacancies in a favourable variance of \$0.36M;

Year-End Projection:

Based on the July year-to-date results, Waterworks is projecting a year-end surplus of \$15.59M against a budget surplus of \$15.42M. This will result in a higher transfer to reserve of \$0.17M.

The Waterworks reserve balance is projected to be \$61.43M 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 July 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 seven months ended July 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 July results:

<u>Commission</u>	<u>YTD July 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	2.61	2.91	0.30
Community & Fire Services (excl. winter maintenance)	47.47	50.45	2.98
Corporate Services	10.50	11.60	1.10
Development Services	3.70	4.01	0.31
Corporate Items	(116.53)	(115.79)	0.74
Net Expense/ (Revenue)	(52.25)	(46.82)	5.43

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 July 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.37	0.40	0.03
Human Resources	1.43	1.59	0.16
Legal	0.81	0.92	0.11
Net Expense	2.61	2.91	0.30

Human Resources (Actual \$1.43M – Budget \$1.59M = Variance \$0.16M)

Favourable variance mainly due to recruitment advertising \$0.07M, consulting \$0.03M and training \$0.03M.

Legal (Actual \$0.81M – Budget \$0.92M = Variance \$0.11M)

Favourable variance mainly due to lower external legal costs \$0.05M and higher legal fee revenue \$0.03M.

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

<u>Department</u>	<u>YTD July 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	12.33	13.59	1.26
Fire Services	19.72	20.34	0.62
Library	6.62	6.78	0.16
Recreation Services	3.82	4.53	0.71
Environmental Services	0.49	0.50	0.01
Waste	4.18	4.37	0.19
Commissioner's Office	0.31	0.34	0.03
Net Expense	47.47	50.45	2.98

Operations (Actual \$12.33M – Budget \$13.59M = Variance \$1.26M)

Favourable variance mainly due to six temporary net vacancies \$0.54M, maintenance and repairs \$0.36M and contracted service agreements \$0.27M mainly due to the delay in the assumption of Highway 7 streetscape maintenance.

Fire Services (Actual \$19.73M – Budget \$20.34M = Variance \$0.61M)

Favourable variance mainly due to seven temporary net vacancies \$0.52M, contracted service agreements \$0.04 and operating materials and supplies \$0.04

Library (Actual \$6.62M – Budget \$6.78M = Variance \$0.16M)

Favourable variance mainly due to four temporary net vacancies.

Recreation (Actual \$3.83M – Budget \$4.53M = Variance \$0.70M)

Favourable variance mainly due to two temporary net vacancies \$0.19M, lower utilities \$0.29M, and higher than budgeted revenues in camps \$0.20M due to the introduction of camp search tool on the City's website and enhancement to marketing campaign via mobile signs, billboards and social media that resulted in higher registrations.

Waste (Actual \$4.18M – Budget \$4.37M = Variance \$0.19M)

Favourable variance mainly due to higher than budgeted Waste Diversion Ontario grant \$0.14M.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD July 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Legislative Services & Corporate Communications	2.03	2.39	0.36
Financial Services	1.95	2.42	0.47
ITS	4.42	4.49	0.07
Sustainability & Asset Management	1.90	2.08	0.18
Commissioner's Office	0.20	0.22	0.02
<u>Net Expense</u>	<u>10.50</u>	<u>11.60</u>	<u>1.10</u>

Legislative Services & Corporate Communications (Actual \$2.03M – Budget \$2.39M = Variance \$0.36M)

Favourable variance mainly due to parking fines \$0.10M and six temporary net vacancies \$0.34M partially offset by part-time salaries (\$0.09M) and full year salary gapping of (\$0.03M).

Financial Services (Actual \$1.95M – Budget \$2.42M = Variance \$0.47M)

Favourable variance mainly due to one temporary net vacancy and personnel costs \$0.33M and Financial Services user fees: ownership changes, non-property tax related charges and tax certificates totalling \$0.10M.

Sustainability & Asset Management (Actual \$1.90M – Budget \$2.08M = Variance \$0.18M)

Favourable variance mainly due to rental revenue of \$0.08M, utilities of \$0.05M, and contracted service agreements \$0.04M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD July 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	2.20	2.49	0.29
Traffic Operations	0.81	0.86	0.05
Commissioner's Office	0.69	0.66	(0.03)
Net Expense	3.70	4.01	0.31

Culture & Economic Development (Actual \$2.20M – Budget \$2.49M = Variance \$0.29M)

Favourable variance mainly due to program registration fees \$0.16M and Provincial program grants \$0.13M.

Corporate Items

<u>Department</u>	<u>YTD July 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	(116.53)	(115.79)	0.74
Net Revenue	(116.53)	(115.79)	0.74

Favourable variance mainly due to six temporary net vacancies of \$0.55M, penalty and interest \$0.11M and investment income \$0.09M.

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

At the end of July the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$5.43M and the breakdown is as follows:

REVENUES

At the end of July, revenues totalled \$168.29M against a budget of \$166.92M resulting in a favourable variance of \$1.37M or 100.8% of the year-to-date budget.

Revenues	Actual	Budget	Fav./(Unfav.)
Property Taxation Revenues	\$ 134.26 M	\$ 134.35 M	(\$ 0.09 M)
General Revenues	\$ 13.91 M	\$ 13.61 M	\$ 0.30 M
User Fees & Service Charges	\$ 15.70 M	\$ 15.17 M	\$ 0.53 M
Grant & Subsidy Revenues	\$ 1.20 M	\$ 0.73 M	\$ 0.47 M
Other Income	\$ 3.22 M	\$ 3.06 M	\$ 0.16 M
Net Variance	\$ 168.29 M	\$ 166.92 M	\$ 1.37 M

Property Taxation Revenues (Actual \$134.26M – Budget \$134.35M= Variance (\$0.09M))
Property taxation revenue YTD budget includes property taxes (budget \$70.79M).

YTD property taxes were unfavourable by (\$0.11M) due to assessment growth. Assessment growth represents the year over year increase in revenue due to new properties (residential homes and businesses) that will be added to the City's tax roll. At the time of developing the 2017 Operating Budget, the 2017 assessment growth had not been finalized by the Municipal Property Assessment Corporation (MPAC). The draft budget included the 2017 assessment growth at 1.69%.

In December 2016, MPAC confirmed the City's 2017 assessment growth at 1.54%; below the City's assumption by 0.15% which will result in a year-end shortfall of (\$0.21M).

General Revenues (Actual \$13.91M – Budget \$13.61M = Variance \$0.30M)
The general revenues YTD budget of \$13.61M includes investment income (budget \$8.26M), property tax penalty and interest (budget \$2.41M), parking fines (budget \$1.66M) and business, taxi, marriage and other licences (budget \$1.29M).

General revenues also include Alectra interest and dividends (YTD budget \$1.99M) 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 \$13.91M at the end of July against a YTD budget of \$13.61M. The main drivers for the favourable variance of \$0.30M are parking fines of \$0.10M, investment income of \$0.09M resulting from a higher than budgeted rate of return and property tax penalty and interest of \$0.11M.

User Fees and Service Charges (Actual \$15.70M – Budget \$15.17M= Variance \$0.53)
The user fees and services charges YTD budget of \$15.17M 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 \$10.38M), and facility rentals for arenas, pools, gym and halls (budget \$4.79M).

User fees and service charges were favourable by \$0.53M, the main drivers of which were:

Recreation

Recreation revenues were favourable by \$0.31M (actual \$12.72M, budget \$12.42M) mainly due to higher than budgeted camps \$0.20M and programs \$0.09M. For comparison, the July 2016 year-to-date revenue variance was unfavourable (\$0.18M).

Culture revenues were favourable by \$0.31M (actual \$2.16M, budget \$1.84M) mainly due to rentals \$0.11M, and camp and program registrations \$0.16M. This is partially offset by unfavourable artist fees (\$0.06M) and part time salaries (\$0.05M).

Grants & Subsidy Revenues (Actual \$1.20M – Budget \$0.73M = Variance \$0.47M)

The YTD budget includes Provincial and Federal grants of \$0.73M. 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 \$3.22M – Budget \$3.06M = Variance \$0.16M)

The favourable variance of \$0.16M resulted from various department variances of less than (\$0.01M) each.

PERSONNEL EXPENDITURES

At the end of July, personnel expenditures were favourable by \$2.40M or spending of 96.6% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$66.00 M	\$68.67 M	\$2.67 M
Overtime and other personnel costs	\$1.27 M	\$1.00 M	(\$0.27 M)
Total	\$67.27 M	\$69.67 M	\$2.40 M

At the end of July, there were 36 net temporary vacancies resulting in a favourable variance of \$3.04M. 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 \$0.19M netting a favourable variance of \$2.67M.

Overtime and other personnel costs were unfavourable by (\$0.27M).

NON-PERSONNEL EXPENDITURES

At the end of July, non personnel expenditures were favourable by \$1.66M or spending of 96.7% of the year-to-date budget.

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 2.89 M	\$ 3.21 M	\$ 0.32 M
Purchased Services	\$ 20.53 M	\$ 22.07 M	\$ 1.54 M
Transfers to Reserves	\$ 24.25 M	\$ 24.06 M	(\$ 0.19 M)
Other Expenditures	\$ 1.10 M	\$ 1.09 M	(\$ 0.01 M)
Total	\$ 48.77 M	\$ 50.43 M	\$ 1.66 M

Materials & Supplies (Actual \$2.89M – Budget \$3.21M = Variance \$0.32M)

Materials & supplies YTD budget of \$3.21M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.72M), vehicle supplies such as fuel and repair parts (budget \$0.78M), and printing and office supplies (budget \$0.27M).

The favourable variance of \$0.32M is primarily due to operating materials and supplies \$0.21M (eg. uniforms, equipment and program expenses), printing and office supplies \$0.05M, diesel fuel \$0.04M which is price driven, and traffic signs/supplies \$0.03M.

Purchased Services (Actual \$20.53M – Budget \$22.07M = Variance \$1.54M)

Purchased services YTD budget of \$22.07M includes utilities and streetlight hydro (budget \$6.44M), waste collection (budget \$3.55M), insurance (budget \$1.44M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.82M).

Purchased Services were favourable \$1.54M primarily due to:

- \$0.42M favourable in utilities and streetlight hydro due to the Provincial Government's Fair Hydro Plan and global adjustments in the rate
- \$0.37M favourable in maintenance and repairs (utility locates, facility maintenance)
- \$0.38M favourable in other contracted services mainly due to the delay in assumption of Highway 7 streetscaping maintenance
- \$0.33M favourable in professional fees, training, and travel (excl. office supplies of \$0.05M which is included under Materials & Supplies)

Transfers to Reserves (Actual \$24.25M – Budget \$24.06M = Variance (\$0.19M))

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

Other Expenditures (Actual \$1.10M – Budget \$1.09M = Variance (\$0.01M))

Other expenditures YTD budget of \$1.09M 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

Based on the July 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).

The projected favourable variance is mainly due to a favourable variance in net personnel costs from an average 35 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 revenue projection being on budget is the result of a combination of favourable variances in higher Federal/Provincial grants, and interest and penalties, fully 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;
- \$0.72M favourable in various departmental non-personnel and revenue accounts (E3 net items to be adjusted in the 2018 Budget)
- \$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: \$5.05M

Based on the projected year-end variance of \$6.08M, after adjusting for the above items totaling (\$5.05M) 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 favourable personnel variances due to continuation of 3 net average vacancies to year-end partially offset by unfavourable Planning process fees.

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.

Based on the above year-end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$10.11M) 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.

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

Based on the July year-to-date results, Waterworks is projecting a year-end surplus of \$15.59M. This will result in a higher transfer to reserve of \$0.17M.

The Waterworks reserve balance is projected to be \$61.43M 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
X

Joel Lustig
Treasurer
Signed by: lhh@markham.ca


X

Trinela Cane
Commissioner, Corporate Services
Signed by: lhh@markham.ca

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 14 – Variances by Commission and Department for the seven months ended July 31, 2017 – Corporate Items

CITY OF MARKHAM
Operating Budget
(Including Library, excluding Planning & Design, Engineering, Waterworks and Building Standards)
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./(unfav.)	Annual Budget	% of YTD Budget	Year-end Variance Projection Fav./(Unfav)
Revenues						
Property Taxation Revenues	134.26	134.35	(0.09)	151.09		
General Revenues	13.91	13.61	0.30	30.85		
User Fees & Service Charges	15.70	15.17	0.53	26.50		
Grant & Subsidy Revenues	1.20	0.73	0.47	1.64		
Other Income	3.22	3.06	0.16	5.31		
Revenues Total	168.29	166.92	1.37	215.39	100.8%	0.00
Expenditures						
Salaries & Benefits	67.27	69.67	2.40	125.47		
Material & Supplies	2.89	3.21	0.32	7.28		
Purchased Services	20.53	22.07	1.54	45.89		
Transfers to Reserves	24.25	24.06	(0.19)	33.05		
Other Expenditures	1.10	1.09	(0.01)	3.70		
Expenditures Total	116.04	120.10	4.06	215.39	96.6%	6.63
Year-End Accounting Accruals & Other Adjustments	0.00	0.00	0.00			(0.55)
Surplus not including winter maintenance	52.25	46.82	5.43	0.00		6.08
Winter Maintenance Favourable Variance	4.94	6.82	1.88			0.94
Surplus including winter maintenance	47.31	40.00	7.31	0.00		7.02

CITY OF MARKHAM
Library Operating Budget
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./(unfav.)	Annual Budget	% of YTD Budget
Revenues					
User Fees & Services Charges	0.47	0.49	(0.02)	0.87	
Grant & Subsidy Revenues	0.03	0.00	0.03	0.23	
Revenues Total	0.50	0.49	0.01	1.10	102.0%
Expenditures					
Salaries & Benefits	5.72	5.82	0.10	11.67	
Material & Supplies	0.08	0.09	0.01	0.17	
Purchased Services	1.32	1.35	0.03	1.76	
Other Expenditures	0.00	0.01	0.01	0.01	
Expenditures Total	7.12	7.27	0.15	13.61	97.9%
Deficit	(6.62)	(6.78)	0.16	(12.51)	

CITY OF MARKHAM
Planning & Design Operating Budget
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./.(unfav.)	Annual Budget	% of YTD Budget	Year-end Surplus/ (Deficit) Projection
Revenues						
Planning & Design Fees	3.41	4.04	(0.63)	9.15		
Revenues Total	3.41	4.04	(0.63)	9.15	84.4%	
Expenditures						
Salaries & Benefits	3.10	3.45	0.35	6.27		
Material & Supplies	0.02	0.03	0.01	0.04		
Purchased Services	1.20	1.21	0.01	2.36		
Expenditures Total	4.32	4.69	0.37	8.67	92.1%	
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve	(0.91)	(0.65)	(0.26)	0.48		0.57
Transfer to/Draw (from) Reserve	0.00	0.00	0.00	0.48		0.57
Surplus/(Deficit) After Transfer to/Draw (from) Reserve	(0.91)	(0.65)	(0.26)	0.00		0.00

CITY OF MARKHAM
Engineering Operating Budget
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./ (unfav.)	Annual Budget	% of YTD Budget	Year-end Surplus/ (Deficit) Projection
Revenues						
Engineering Fees	3.99	3.73	0.26	7.28		
Revenues Total	3.99	3.73	0.26	7.28	107.0%	
Expenditures						
Salaries & Benefits	3.02	3.13	0.11	4.93		
Material & Supplies	0.01	0.02	0.01	0.04		
Purchased Services	1.18	1.21	0.03	2.39		
Expenditures Total	4.22	4.36	0.15	7.36	96.8%	
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve	(0.22)	(0.63)	0.41	(0.08)		0.70
Draw (from) Reserve	0.00	0.00	0.00	(0.08)		0.70
Deficit After Draw (from) Reserve	(0.22)	(0.63)	0.41	0.00		0.00

CITY OF MARKHAM
Planning & Engineering Development Fee Reserve Balance
 As at July 31, 2017
 (in millions of dollars)

	2017 Budget	2017 Projection
Opening Balance at January 1, 2017	(10.74)	(10.74)
Transfer to Capital and Interest Charges	(0.64)	(0.64)
Transfer to/Draw (from) Reserves		
Planning & Design	0.48	0.57
Engineering	(0.08)	0.70
Planning & Engineering Reserve Ending Balance	(10.98)	(10.11)

CITY OF MARKHAM
Building Standards Operating Budget
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./ (unfav.)	Annual Budget	% of YTD Budget	Year-end Surplus/ (Deficit) Projection
Revenues						
Building Permits	4.26	4.25	0.01	8.28		
Other Revenues	0.05	0.02	0.03	0.03		
Revenues Total	4.31	4.27	0.04	8.31	100.9%	
Expenditures						
Salaries & Benefits	3.08	3.24	0.16	5.95		
Material & Supplies	0.03	0.04	0.01	0.07		
Purchased Services	1.39	1.41	0.02	2.78		
Expenditures Total	4.50	4.69	0.19	8.80	95.9%	
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve	(0.19)	(0.42)	0.23	(0.49)		(0.98)
Transfer to/Draw (from) Reserve	0.00	0.00	0.00	(0.49)		(0.98)
Surplus/(Deficit) After Transfer to/Draw (from) Reserve	(0.19)	(0.42)	0.23	0.00		0.00

CITY OF MARKHAM
Building Fee Reserve Balance

As at July 31, 2017
(in millions of dollars)

	2017 Budget	2017 Projection
Opening Balance at January 1, 2017	10.22	10.22
Transfer to Capital and Interest Income	(0.97)	(0.97)
Projected Transfer to/Draw (from) Reserves	(0.49)	(0.98)
Building Reserve Ending Balance	8.76	8.27

CITY OF MARKHAM
Waterworks Operating Budget
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

	2017 Actual	2017 Budget	Variance fav./(unfav.)	Annual Budget	% of YTD Budget	Year-end Surplus/ (Deficit) Projection
Sales & Purchases of Water						
Water Revenue						
Water & Sewer Billing	62.40	66.02	(3.62)	119.70		
Water Expenditure						
Contracted Municipal Services	47.83	49.93	2.10	90.75		
Net Sales & Purchases of Water	14.57	16.09	(1.52)	28.95	90.6%	
Other Revenues Total	0.73	0.80	(0.07)	1.48	91.3%	
Other Expenditures						
Salaries & Benefits	3.87	4.23	0.36	7.52		
Non Personnel Expenditures	4.43	5.19	0.76	7.49		
Expenditures Total	8.30	9.42	1.12	15.01	88.1%	
Surplus Before Transfer to Reserve	7.00	7.47	(0.47)	15.42		15.59
Transfer to Reserve	0.00	0.00	0.00	15.42		15.59
Surplus After Transfer to Reserve	7.00	7.47	(0.47)	0.00		0.00

CITY OF MARKHAM
Waterworks Reserve Balance
 As at July 31, 2017
 (in millions of dollars)

	2017 Budget	2017 Projection
Opening Balance - January 1, 2017	51.77	51.77
Transfer from Reserve for 2016 year end unfavourable variance	(0.76)	(0.76)
Transfer to 2017 Capital	(9.42)	(9.42)
Interest Income	0.25	0.25
Transfer from 2017 closed capital projects	0.00	4.00
Transfer to Reserve	15.42	15.59
Waterworks Reserve Ending Balance	57.26	61.43

CITY OF MARKHAM
Variances by Commission and Department
CAO'S Office, Human Resources and Legal Department
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

Department	Fav./ (Unfav.)			
	Personnel	Non-Personnel	Revenue	Total
CAO'S OFFICE	0.00	0.03	0.00	0.03
HUMAN RESOURCES	0.03	0.13	0.00	0.16
LEGAL DEPT.	0.01	0.07	0.03	0.11
Total	0.04	0.23	0.03	0.30

CITY OF MARKHAM
Variances by Commission and Department
Community and Fire Services
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

Department	Fav./ (Unfav.)			
	Personnel	Non-Personnel	Revenue	Total
OPERATIONS	0.54	0.74	(0.02)	1.26
FIRE SERVICES	0.52	0.12	(0.02)	0.62
LIBRARY	0.10	0.05	0.01	0.16
RECREATION SERVICES	0.16	0.24	0.31	0.71
ENVIRONMENTAL SERVICES	(0.01)	0.02	-	0.01
WASTE	0.01	0.08	0.10	0.19
COMMISSIONER'S OFFICE	-	0.03	-	0.03
Total Excl. Winter Maintenance	1.32	1.28	0.38	2.98
WINTER MAINTENANCE	(0.03)	1.96	(0.05)	1.88
Total	1.29	3.24	0.33	4.86

CITY OF MARKHAM
Variances by Commission and Department
Corporate Services
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

Department	Fav./ (Unfav.)			
	Personnel	Non-Personnel	Revenue	Total
LEGISLATIVE SERVICES & CORPORATE COMMUNICATIONS	0.22	(0.02)	0.16	0.36
FINANCIAL SERVICES	0.33	0.04	0.10	0.47
ITS DEPARTMENT	0.01	0.06	-	0.07
SUSTAINABILITY & ASSET MANAGEMENT	0.03	0.14	0.01	0.18
COMMISSIONER'S OFFICE	0.01	0.01	-	0.02
Total	0.60	0.23	0.27	1.10

CITY OF MARKHAM
Variances by Commission and Department
Development Services
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

Department	Fav./ (Unfav.)			
	Personnel	Non-Personnel	Revenue	Total
CULTURE & ECONOMIC DEVELOPMENT	(0.07)	(0.07)	0.43	0.29
TRAFFIC OPERATIONS	(0.01)	0.06	-	0.05
COMMISSIONER'S OFFICE	(0.03)	-	-	(0.03)
Total	(0.11)	(0.01)	0.43	0.31

CITY OF MARKHAM
Variances by Commission and Department
Corporate Items
Financial Results for the Seven Months Ended July 31, 2017
(in millions of dollars)

Department	Fav./ (Unfav.)			
	Personnel	Non-Personnel	Revenue	Total
CORPORATE ITEMS	0.55	(0.06)	0.25	0.74
Total	0.55	(0.06)	0.25	0.74