



Report to: General Committee

Meeting Date: May 15, 2017

SUBJECT: 2017 March Year-To-Date Review of Operations
PREPARED BY: Andrea Tang, Senior Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2017 March 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 March year-to-date operating results comparing actual to budget.

Primary Operating Budget (Appendix 1)

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

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

Surplus (incl. winter maintenance): Actual \$16.71M – Budget \$12.55M = Favourable variance \$4.16M
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City operations YTD March surplus, excluding winter maintenance, was \$21.55M against a budget of \$19.37M, resulting in a favourable variance of \$2.18M. As noted above the net City operations, including winter maintenance, incurred a favourable variance of \$4.16M.

(\$ in millions)	<u>YTD March 2017</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	86.72	86.41	0.31	100.4%
Expenses	65.17	67.04	1.87	97.2%
Surplus excluding winter maintenance	21.55	19.37	2.18	
Winter Maintenance	4.84	6.82	1.98	
Net surplus including winter maintenance	16.71	12.55	4.16	

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$2.18M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Federal and Provincial grants	0.14	M	Salaries & benefits	0.73	M
Parking fines	0.13	M	Professional services/ office supplies/ training/ travel	0.29	M
Investment income	0.10	M	Utilities & streetlight hydro	0.24	M
Financial Services user fees	0.06	M	Maintenance & repairs	0.18	M
Penalty & interest	0.04	M	Operating materials & supplies	0.08	M
Property tax levy	(0.10)	M	Insurance	0.08	M
Recreation Services revenue	(0.12)	M	Transfers to Reserves	0.07	M
			Promotion & advertising	0.03	M
Other	0.06	M	Other	0.17	M
Total	0.31	M	Total	1.87	M

Winter Maintenance**Winter maintenance = Favourable variance \$1.98M**

The 2017 actual winter maintenance expenditures at the end of the March totaled \$4.84M against a budget of \$6.82M, resulting in a favourable variance of \$1.98M.

Planning & Design (Appendix 3)**Actual (\$0.81M) – Budget (\$1.09M) = Favourable variance \$0.28M**

At the end of March, the Planning department incurred a deficit of (\$0.81M) against a budgeted deficit of (\$1.09M). The favourable variance of \$0.28M was mainly due to higher than budgeted Planning and Design fees by \$0.19M and lower personnel costs of \$0.08M from a year-to-date average of three temporary net vacancies.

Engineering (Appendix 4)**Actual \$0.45M – Budget (\$0.41M) = Favourable variance \$0.86M**

At the end of March, the Engineering department incurred a surplus of \$0.45M against a budgeted deficit of (\$0.41M). The favourable variance of \$0.86M was mainly due to higher than budgeted Engineering fees.

Building Standards (Appendix 5)

Actual (\$0.88M) – Budget (\$0.65M) = Unfavourable variance (\$0.23M)
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At the end of March, the Building Standards department incurred a deficit of (\$0.88M) against a budgeted deficit of (\$0.65M). The unfavourable variance of (\$0.23M) was mainly due to a lower number of building permits being issued.

Waterworks (Appendix 6)

Actual \$1.04M – Budget \$1.14M = Unfavourable variance (\$0.10M)
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At the end of March, the Waterworks department incurred a surplus of \$1.04M against a budgeted surplus of \$1.14M. The main drivers for the unfavourable variance of (\$0.10M) were as follows:

- Lower than budgeted water sales and higher non-revenue water, year-to-date February average actual non-revenue water (NRW) was 12.8% compared to a budget of 11.0% resulting in an unfavourable “net sales and purchases” variance of (\$0.63M) (the 12 month rolling average NRW is 10.5%, March 2016 – February 2017); offset by:
- Lower non-personnel costs resulting in a favourable variance of \$0.28M due to lower operating and construction materials and supplies costs;
- Lower personnel costs from a year-to-date average of seven temporary net vacancies in a favourable variance of \$0.17M;
- Higher other revenues resulting in a favourable variance of \$0.08M from increased development activity

PURPOSE:

To report on the year-to-date actual 2017 operating budget results versus the budgeted 2017 operating budget as at March 31, 2017.

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 three months ended March 31, 2017 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 7 to 10.

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

<u>Commission</u>	<u>YTD March 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	0.98	1.19	0.21
Community & Fire Services (excl. winter maintenance)	18.86	19.75	0.89
Corporate Services	4.58	5.23	0.65
Development Services	1.79	1.83	0.04
Corporate Items	(47.76)	(47.37)	0.39
Net Expense/ (Revenue)	(21.55)	(19.37)	2.18

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

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

<u>Department</u>	<u>YTD March 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.19	0.19	-
Human Resources	0.48	0.60	0.12
Legal	0.31	0.40	0.09
Net Expense	0.98	1.19	0.21

Human Resources (Actual \$0.48M – Budget \$0.60M = Variance \$0.12M)

Favourable variance mainly due to recruitment advertising \$0.04M, consulting \$0.03M and training \$0.03M.

Legal (Actual \$0.31M – Budget \$0.40M = Variance \$0.09M)

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

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

<u>Department</u>	<u>YTD March 2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	3.86	4.38	0.52
Fire Services	9.20	9.42	0.22
Library	3.11	3.22	0.11
Recreation Services	0.91	0.89	(0.02)
Environmental Services	0.24	0.24	0.00
Waste	1.46	1.51	0.05
Commissioner's Office	0.08	0.09	0.01
Net Expense	18.86	19.75	0.89

Operations (Actual \$3.86M – Budget \$4.38M = Variance \$0.52M)

Favourable variance mainly due to a year-to-date average of twelve temporary net vacancies \$0.20M, maintenance and repairs \$0.16M and streetlight hydro of \$0.04M.

Fire Services (Actual \$9.20M – Budget \$9.42M = Variance \$0.22M)

Favourable variance mainly due to a year-to-date average of fourteen temporary net vacancies \$0.35M partially offset by unfavourable variance from full year salary gapping (\$0.15M).

Library (Actual \$3.11M – Budget \$3.22M = Variance \$0.11M)

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

Waste (Actual \$1.46M – Budget \$1.51M = Variance \$0.05M)

Favourable variance mainly due to higher than budgeted Waste Diversion Ontario grant \$0.07M.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD March 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services & Corporate Communications	0.59	0.85	0.26
Financial Services	0.76	0.99	0.23
ITS	2.35	2.35	-
Sustainability & Asset Management	0.79	0.94	0.15
Commissioner's Office	0.09	0.10	0.01
Net Expense	4.58	5.23	0.65

Legislative Services & Corporate Communications (Actual \$0.59M – Budget \$0.85M = Variance \$0.26M)

Favourable variance mainly due to parking fines \$0.13M and a year-to-date average of nine temporary net vacancies \$0.18M partially offset by part-time salaries (\$0.06M) and full year salary gapping of (\$0.04M).

Financial Services (Actual \$0.76M – Budget \$0.99M = Variance \$0.23M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.14M and Financial Services user fees: ownership changes, non-property tax related charges and tax certificates totalling \$0.06M.

Sustainability & Asset Management (Actual \$0.79M – Budget \$0.94M = Variance \$0.15M)

Favourable variance mainly due to rental revenue of \$0.07M, maintenance and repairs of \$0.03M and utilities of \$0.02M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD March 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Culture & Economic Development	1.09	1.15	0.06
Traffic Operations	0.37	0.39	0.02
Commissioner's Office	0.33	0.29	(0.04)
Net Expense	1.79	1.83	0.04

Culture & Economic Development (Actual \$1.09M – Budget \$1.15M = Variance \$0.06M)

Favourable variance mainly due to program registration fees \$0.05M.

Corporate Items

<u>Department</u>	<u>YTD March 2017</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	(47.76)	(47.37)	0.39
Net Revenue	(47.76)	(47.37)	0.39

Favourable variance mainly due to six temporary net vacancies of \$0.33M, investment income \$0.10M and insurance \$0.08M partially offset by unfavourable health and dental costs of (\$0.11M) and HRIS project one-time implementation costs of (\$0.07M).

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

At the end of March the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$2.18M and the breakdown is as follows:

REVENUES

At the end of March, revenues totalled \$86.72M against a budget of \$86.41M resulting in a favourable variance of \$0.31M or 100.4% of the year-to-date budget.

Revenues	Actual	Budget	Fav./(Unfav.)
Property Taxation Revenues	\$ 70.69 M	\$ 70.79 M	(\$ 0.10 M)
General Revenues	\$ 6.71 M	\$ 6.43 M	\$ 0.28 M
User Fees & Service Charges	\$ 7.16 M	\$ 7.14 M	\$ 0.02 M
Grant & Subsidy Revenues	\$ 0.51 M	\$ 0.38 M	\$ 0.13 M
Other Income	\$ 1.65 M	\$ 1.67 M	(\$ 0.02 M)
Net Variance	\$ 86.72 M	\$ 86.41 M	\$ 0.31 M

Property Taxation Revenues (Actual \$70.69M – Budget \$70.79M= Variance (\$0.10M))
Property taxation revenue YTD budget includes property taxes (budget \$70.79M).

YTD property taxes were unfavourable by (\$0.10M) 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 \$6.71M – Budget \$6.43M = Variance \$0.28M)

The general revenues YTD budget of \$6.43M includes investment income (budget \$2.59M), property tax penalty and interest (budget \$1.25M), parking fines (budget \$0.81M) and business, taxi, marriage and other licences (budget \$0.73M).

General revenues also include Alectra interest and dividends (YTD budget \$1.02M) 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 PowerStream interest and dividends.

YTD general revenues totaled \$6.71M at the end of March against a YTD budget of \$6.43M. The main drivers for the favourable variance of \$0.28M are parking fines of \$0.13M, investment income of \$0.10M resulting from a higher than budgeted rate of return and property tax penalty and interest of \$0.04M.

User Fees and Service Charges (Actual \$7.16M – Budget \$7.14M= Variance (\$0.02M))

The user fees and services charges YTD budget of \$7.14M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$4.37M), and facility rentals for arenas, pools, gym and halls (budget \$2.66M).

User fees and service charges were unfavourable by (\$0.02M), the main drivers of which were:

Recreation

Recreation revenues were unfavourable by (\$0.12M) (actual \$6.62M, budget \$6.72M) mainly in facility ice rentals due to the non-renewal of two contracts (\$0.09M). The April revenue results have improved by \$0.08M to a YTD April unfavourable variance of (\$0.04M). For comparison, the March 2016 year-to-date revenue variance was unfavourable (\$0.18M).

This is partially offset by favourable variances in: Financial Services user fees such as ownership changes, non-property tax related charges and tax certificates totaling \$0.06M.

Grants & Subsidy Revenues (Actual \$0.51M – Budget \$0.38M = Variance \$0.13M)

The YTD budget includes provincial and federal grants of \$0.38M. The favourable variance of \$0.13M resulted from the receipt of one-time federal and provincial grants of which \$0.07M is from the WDO grant.

Other Income (Actual \$1.65M – Budget \$1.67M = Variance (\$0.02M))

The unfavourable variance of (\$0.02M) resulted from various department variances of less than (\$0.01M) each.

PERSONNEL EXPENDITURES

At the end of March, personnel expenditures were favourable by \$0.73M or 97.8% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$31.91 M	\$32.65 M	\$0.74 M
Overtime and other personnel costs	\$0.56 M	\$0.55 M	(\$0.01 M)
Total	\$32.47 M	\$33.20 M	\$0.73 M

At the end of March, there were 61 net temporary vacancies (of which 11 were vacancies from approved leaves of absence and secondments) and a year-to-date average 55 net

temporary vacancies resulting in a favourable variance of \$1.25M. This was partially offset by full year budgeted salary gapping of (\$0.45M) and HRIS project one-time implementation costs of (\$0.07M). Part-time salaries were favourable by \$0.01M netting a favourable variance of \$0.74M.

Overtime and other personnel costs were unfavourable by (\$0.01M).

NON-PERSONNEL EXPENDITURES

At the end of March, non personnel expenditures were favourable by \$1.14M or 96.6% of the year-to-date budget.

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 1.08 M	\$ 1.22 M	\$ 0.14 M
Purchased Services	\$ 8.20 M	\$ 9.10 M	\$ 0.90 M
Transfers to Reserves	\$ 22.95 M	\$ 23.02 M	\$ 0.07 M
Other Expenditures	\$ 0.47 M	\$ 0.50 M	\$ 0.03 M
Total	\$ 32.70 M	\$ 33.84 M	\$ 1.14 M

Materials & Supplies (Actual \$1.08M – Budget \$1.22M = Variance \$0.14M)

Materials & supplies YTD budget of \$1.22M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.57M), vehicle supplies such as fuel and repair parts (budget \$0.32M), and printing and office supplies (budget \$0.13M).

The favourable variance of \$0.14M is primarily due to operating materials and supplies (eg. Uniforms and program expenses) \$0.08M and printing and office supplies \$0.05M.

Purchased Services (Actual \$8.20M – Budget \$9.10M = Variance \$0.90M)

Purchased services YTD budget of \$9.10M includes utilities and streetlight hydro (budget \$3.06M), waste collection (budget \$1.58M), insurance (budget \$1.55M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.71M).

Purchased Services were favourable \$0.90M primarily due to:

- \$0.24M favourable in professional fees, training, and travel (excl. office supplies of \$0.05M which is included under Materials & Supplies)
- \$0.24M favourable in utilities and streetlight hydro due to lower rate when compared to budget
- \$0.18M favourable in maintenance and repairs (utility locates, facility maintenance)
- \$0.08M favourable in insurance
- \$0.03M favourable promotion and advertising

Transfers to Reserves (Actual \$22.95M – Budget \$23.02M = Variance \$0.07M)

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

Other Expenditures (Actual \$0.47M – Budget \$0.50M = Variance \$0.03M)

Other expenditures YTD budget of \$0.50M includes non-personnel ramp ups (\$0.40M).

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month and provide a year-end projection (including year-end accounting accruals and other adjustments) as part of the July 2017 year-to-date review of operations to be brought forward to General Committee in September 2017.

RECOMMENDED
X

Joel Lustig
Treasurer


X

Trinela Cane
Commissioner, Corporate Services

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

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

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

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

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

Appendix 5 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2017

Appendix 6 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2017

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2017 – CAO's Office, Human Resources and Legal Department

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2017 – Community and Fire Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2017 – Corporate Services

Appendix 10 – Variances by Commission and Department for the three months ended March 31, 2017 – Development Services

Appendix 11 – Variances by Commission and Department for the three months ended March 31, 2017 – Corporate Items