



Report to: General Committee

Meeting Date: November 14, 2016

SUBJECT: 2016 September Year-To-Date Review of Operations and Year End Projection

PREPARED BY: Andrea Tang, Senior Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2016 September Year-To-Date Review of Operations and Year End Projection” be received.

EXECUTIVE SUMMARY:

Council approved the 2016 annual operating budget of \$345.64M on December 15, 2015 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 2016 September year-to-date (YTD) 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 \$40.97M – Budget \$35.45M
= Favourable variance \$5.52M**

The City operating YTD September surplus, excluding winter maintenance, was \$46.44M against a budget of \$42.30M, resulting in a favourable variance of \$4.14M. This represents an improvement of \$0.42M over the YTD July results. As noted above, the net City operations, including winter maintenance, incurred a favourable variance of \$5.52M.

(\$ in millions)	<u>YTD September 2016</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	187.08	186.03	1.05	100.6%
Expenses	140.64	143.73	3.09	97.9%
Surplus excluding winter maintenance	46.44	42.30	4.14	
Winter Maintenance	5.47	6.85	1.38	
Net surplus including winter maintenance	40.97	35.45	5.52	

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$4.14M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Property tax penalty and interest	0.49	M	Salary & benefit costs	1.43	M
Federal and Provincial grants	0.44	M	Professional services/ office supplies/ training/ travel	0.51	M
Investment Income	0.21	M	Operating materials & supplies	0.47	M
Theatre revenues (ticket sales, technical support services and rental)	0.16	M	Waste collection	0.45	M
Financial services admin. fees & Legal fees	0.11	M	Communications	0.19	M
Finance Department user fees	0.07	M	Utilities	0.17	M
Supplemental property taxes	(0.25)	M	Fuel (gas & diesel)	0.10	M
Recreation Department revenues	(0.29)	M	Contract service agreements	0.10	M
Other	0.11	M	Property tax adjustments	(0.16)	M
			Insurance	(0.18)	M
			Other	0.01	M
Total	1.05	M	Total	3.09	M

Winter Maintenance**Winter maintenance = Favourable variance \$1.38M**

The 2016 actual winter maintenance expenditures at the end of the September totaled \$5.47M against a budget of \$6.85M, resulting in a favourable variance of \$1.38M.

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)	\$4.50M
2. Year-end accounting accruals and other adjustments	(\$0.97M)
Total	\$3.53M
3. Winter maintenance favourable variance	\$1.21M
Surplus	\$4.74M

Based on the September year-to-date results, Staff is projecting a favourable year-end variance of \$3.53M (including year-end accounting accruals and other adjustments, and excluding winter maintenance). This projection is the same amount as the July projection, however, staff is forecasting expenditures to be favourable by \$3.60M, a reduction of \$0.40M due to additional Fire overtime costs expected by year-end. This is offset by an increase in revenues of \$0.40M (from \$0.50M to \$0.90M).

The City is forecasting year-end spending at 98.7% of the expenditure budget (including year-end accounting accruals and other adjustments), resulting in an operating surplus of \$2.63M (\$3.60M – (\$0.97M)).

The projected favourable variance is mainly due to a favourable variance in net personnel costs from 46 net temporary vacancies. Other favourable variances include professional services, office supplies, travel, training, waste collection, fuel, transfer to reserves and corporate contingencies, offset partially by unfavourable variances in fire overtime, property tax adjustments, one-time Human Resources Information System (HRIS) project implementation costs and insurance.

The City is projecting to collect 100.4% of the revenue budget, resulting in a favourable variance of \$0.90M.

The projected favourable variance is mainly due to higher interest and penalties, provincial/federal grants, a one-time OMERS type 6 rebate, an LED streetlight retrofit rebate from PowerStream and Theatre revenue partially offset by unfavourable variance in Recreation revenue from facility rentals, fitness centres and aquatics, 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 27th pay accrual. The 2016 year-end accounting accruals and other adjustments are estimated at a net cost of (\$0.97M).

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end favourable variance of \$1.21M, based on an assumption of 25% unfavourable variance for the last six weeks of the year.

Planning & Design (Appendix 3)

Actual \$0.62M – Budget \$0.37M = Favourable variance \$0.25M
--

At the end of September, the Planning department incurred a surplus of \$0.62M against a budgeted surplus of \$0.37M. The favourable variance of \$0.25M was mainly due to lower personnel costs of \$0.28M from a year-to-date average of four temporary net vacancies (three temporary net vacancies as at September 30).

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$0.46M compared to a budgeted deficit of (\$0.22M). This will result in a transfer to reserve of \$0.46M (a favourable variance to budget of \$0.68M). The projected surplus is due to a higher than forecasted number of units registered through subdivision or site plan agreements, and favourable personnel variances due to continuation of 4 net average vacancies to year-end. This

projection is an improvement of \$0.40M from July's projection (July: \$0.06M, September: \$0.46M) presented to General Committee in September.

Engineering (Appendix 4)

Actual \$0.05M – Budget (\$0.43M) = Favourable variance \$0.48M
--

At the end of September, the Engineering department incurred a surplus of \$0.05M against a budgeted deficit of (\$0.43M). The favourable variance of \$0.48M was mainly due to lower personnel costs of \$0.31M from a year-to-date average of four temporary net vacancies (six temporary net vacancies as at September 30) and higher than budgeted Engineering fees.

Year-End Projection:

Engineering is projecting to be on budget at year end compared to a budgeted deficit of (\$0.79M). This will result in no transfer from reserve. This projection is an improvement of \$0.79M from July's projection (July: (\$0.79M), September: \$0.00M) presented to General Committee in September.

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$11.28M) at year-end (see Appendix 5).

Building Standards (Appendix 6)

Actual (\$0.47M) – Budget (\$1.55M) = Favourable variance \$1.08M
--

At the end of September, the Building Standards department incurred a deficit of (\$0.47M) against a budgeted deficit of (\$1.55M). The favourable variance of \$1.08M was mainly due to higher than budgeted Building permit fees of \$0.66M and lower personnel costs of \$0.35M from a year-to-date average of five temporary net vacancies.

Year-End Projection:

Staff is projecting a year-end deficit of (\$1.07M) compared to a budgeted deficit of (\$1.61M). This will result in a draw from reserve of (\$1.07M) which is lower than the budgeted deficit by \$0.54M. This variance is due to 5 average net full-time vacancies. This projection is unchanged from the July projection.

Based on the above year end projection in Building Services, the balance of the reserve is anticipated to be \$7.59M at year-end (see Appendix 7).

Waterworks (Appendix 8)

Actual \$11.67M – Budget \$11.62M = Favourable variance \$0.05M
--

At the end of September, the Waterworks department incurred a surplus of \$11.67M against a budgeted surplus of \$11.62M. The main drivers for the favourable variance of \$0.05M were as follows:

-
- Lower non-personnel costs resulting in a favourable variance of \$0.41M due to lower operating and construction materials and supplies costs;
 - Lower personnel costs resulting in a favourable variance of \$0.14M due to year-to-date average of four temporary net vacancies (three temporary net vacancies as of September 30); partially offset by,
 - Higher non-revenue water (NRW) (11.5% for August YTD vs. budget of 11%) in the amount of (\$0.46M).

Year-End Projection:

Based on the September year-to-date results, Waterworks is projecting a year end surplus of \$15.06M. This will result in a lower transfer to reserve of (\$0.90M). This projection is an improvement of \$1.30M from the July projection (July: (\$2.20M), September: (\$0.90M)) due to increased water sales in the months of August and September coupled with reduced NRW (from 14.6% for June YTD to 11.5% for August YTD).

The Waterworks reserve balance is projected to be \$50.95M at year-end (see Appendix 9).

PURPOSE:

To report on the year-to-date actual 2016 operating budget results versus the budgeted 2016 operating budget as at September 30, 2016, and to provide year-end projections against the annual budgets.

BACKGROUND:

Council approved the 2016 annual operating budget of \$345.64M on December 15, 2015 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.

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 30, 2016 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 September 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office, Human Resources, Legal and Sustainability Office	3.53	4.28	0.75
Community & Fire Services (excl. winter maintenance)	65.68	67.82	2.14
Corporate Services	11.10	11.70	0.60
Development Services	3.74	4.08	0.34
Corporate Items	(130.49)	(130.18)	0.31
Net Expense/ (Revenue)	(46.44)	(42.30)	4.14

Explanations for variances greater than \$0.10M by each Commission and Department are provided on the following pages.

CAO's Office, Human Resources, Legal and Sustainability Office (Appendix 10)

<u>Department</u>	<u>YTD September 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office	0.59	0.66	0.07
Human Resources	1.96	2.30	0.34
Legal	0.82	1.04	0.22
Sustainability Office	0.16	0.28	0.12
Net Expense	3.53	4.28	0.75

Human Resources (Actual \$1.96M – Budget \$2.30M = Variance \$0.34M)

Favourable variance of \$0.34M mainly due to a year-to-date average of two temporary net vacancies (one temporary net vacancy as of September 30) of \$0.21M, recruitment advertising of \$0.06M and professional fees of \$0.03M..

Legal (Actual \$0.82M – Budget \$1.04M = Variance \$0.22M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.14M, external legal costs \$0.04M and legal fee revenue \$0.03M.

Sustainability Office (Actual \$0.16M – Budget \$0.28M = Variance \$0.12M)

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

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

<u>Department</u>	<u>YTD September 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	14.53	15.04	0.51
Asset Management	5.99	6.30	0.31
Fire Services	25.59	25.73	0.14
Library	8.03	8.14	0.11
Recreation Services	6.09	6.31	0.22
Waste	5.02	5.73	0.71
Commissioner's Office	0.43	0.57	0.14
<u>Net Expense</u>	<u>65.68</u>	<u>67.82</u>	<u>2.14</u>

Operations (Actual \$14.53M – Budget \$15.04M = Variance \$0.51M)

Favourable variance mainly due to a year-to-date average of four temporary net vacancies (three temporary net vacancies as of September 30) \$0.43M, part time salaries of \$0.10M and contract service agreements due to the discontinuation of Regional boulevard grass cutting \$0.10M (offset by the discontinued recoveries from the Region of (\$0.30M)) and fuel (gas and diesel) \$0.10M driven by lower oil prices.

Asset Management (Actual \$5.99M – Budget \$6.30M = Variance \$0.31M)

Favourable variance mainly due to streetlight hydro and maintenance \$0.18M and utility locates \$0.12M due to lower construction activity in Markham in 2016.

Fire Services (Actual \$25.59M – Budget \$25.73M = Variance \$0.14M)

Favourable variance mainly due to a year-to-date average of fourteen temporary net vacancies (seven temporary net vacancies as of September 30) \$1.30M partially offset by unfavourable variance from higher overtime costs (\$1.10M) to cover for absences and full year salary gapping (\$0.15M). The remaining favourable variance is due to operating materials and supplies of \$0.08M from uniforms and program expenses.

Library (Actual \$8.03M – Budget \$8.14M = Variance \$0.11M)

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

Recreation (Actual \$6.09M – Budget \$6.31M = Variance \$0.22M)

Recreation revenues were unfavourable by (\$0.29M) in user fees and other service charges mainly due to facility rentals (\$0.26M) and fitness centres (\$0.11M) partially offset by favourable camps of \$0.11M. This was partially offset by a favourable variance of \$0.07M from provincial grants, for a net unfavourable variance in revenues of (\$0.22M) (actual \$15.60M, budget \$15.82M).

The YTD unfavourable variance in revenue was offset by lower personnel costs \$0.11M and non-personnel costs of \$0.33M due to operating materials & supplies and utilities. In summary, the Recreation department incurred a net favourable variance of \$0.22M. For comparison, the September 2015 year-to-date net variance was unfavourable by (\$0.06M).

Waste (Actual \$5.02M – Budget \$5.73M = Variance \$0.71M)

Favourable variance mainly due to lower waste tonnage \$0.45M and the additional Waste Diversion of Ontario (WDO) grant of \$0.21M.

Commissioner's Office (Actual \$0.43M – Budget \$0.57M = Variance \$0.14M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy and various non-personnel accounts.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD September 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services	2.08	2.10	0.02
Financial Services	2.69	2.98	0.29
ITS	5.04	5.32	0.28
Corp. Communications & Community Engagement	1.03	1.02	(0.01)
Commissioner's Office	0.26	0.28	0.02
Net Expense	11.10	11.70	0.60

Financial Services (Actual \$2.69M – Budget \$2.98M = Variance \$0.29M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies (four temporary net vacancies as of September 30) \$0.14M and user fees from ownership changes, non-property tax related charges and tax certificates totalling \$0.11M.

ITS (Actual \$5.04M – Budget \$5.32M = Variance \$0.27M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies (one temporary net vacancy as of September 30) \$0.14M and communications (telephone data charges and services) \$0.12M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD September 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Culture & Economic Development	2.89	3.21	0.32
Commissioner's Office	0.85	0.87	0.02
Net Expense	3.74	4.08	0.34

Culture & Economic Development (Actual \$2.89M – Budget \$3.21M = Variance \$0.32M)

Favourable variance mainly due to Theatre revenue \$0.16M and additional provincial and federal grants \$0.12M.

Corporate Items (Appendix 14)

<u>Department</u>	<u>YTD September 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	(130.49)	(130.18)	0.31
Net Revenue	(130.49)	(130.18)	0.31

Favourable variance mainly due to property tax penalties and interest \$0.49M and investment income of \$0.21M resulting from portfolio balance partially offset by insurance (\$0.18M) and property tax adjustments (\$0.16M).

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 \$4.14M and the breakdown is as follows:

REVENUES

At the end of September, revenues totalled \$187.08M against a budget of \$186.03M resulting in a favourable variance of \$1.05M or 100.6% of the year-to-date budget.

Revenues	Actual	Budget	Fav./ (Unfav.)
Property Taxation Revenues	\$ 142.83 M	\$ 143.04 M	(\$ 0.21 M)
General Revenues	\$ 18.64 M	\$ 17.94 M	\$ 0.70 M
User Fees & Service Charges	\$ 19.83 M	\$ 19.85 M	(\$ 0.02 M)
Grant & Subsidy Revenues	\$ 1.44 M	\$ 1.00 M	\$ 0.44 M
Other Income	\$ 4.34 M	\$ 4.20 M	\$ 0.14 M
Net Variance	\$ 187.08 M	\$ 186.03 M	\$ 1.05 M

Property Taxation Revenues (Actual \$142.83M – Budget \$143.04M = Variance (\$0.21M))
Property taxation revenue includes property taxes (budget \$141.83M) and payments-in-lieu of taxes (budget \$1.21M).

The unfavourable variance of (\$0.21M) is due to supplemental property taxes of (\$0.25M) caused by construction delays due to the dry wall trades' strike earlier in the year.

General Revenues (Actual \$18.64M – Budget \$17.94M = Variance \$0.70M)

The general revenues YTD budget of \$17.94M includes investment income (budget \$11.27M), property tax penalty and interest (budget \$2.88M), parking fines (budget \$2.22M) and business, taxi, marriage and other licences (budget \$1.43M).

At the end of September, the YTD general revenues totaled \$18.64M against a YTD budget of \$17.94M. The main driver for the favourable variance of \$0.70M was due to property tax penalty and interest of \$0.49M and investment income of \$0.21M resulting from portfolio balance.

User Fees and Service Charges (Actual \$19.83M – Budget \$19.85M = Variance (\$0.02M))

The user fees and services charges YTD budget of \$19.85M 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 \$13.70M), and facility rentals for arenas, pools, gym and halls (budget \$6.15M).

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

Recreation

Recreation revenues were unfavourable by (\$0.29M) in user fees and other service charges mainly due to facility rentals (\$0.26M) and fitness centres (\$0.11M) partially offset by favourable camps of \$0.11M. This was partially offset by a favourable variance of \$0.07M from provincial grants, for a net unfavourable variance in revenues of (\$0.22M) (actual \$15.60M, budget \$15.82M).

The unfavourable variances in Recreation user fees and services charges of (\$0.29M) is partially offset by favourable variances totalling \$0.27M in: Theatre revenues of \$0.16M and Financial Services fees such as ownership changes, other service charges and tax certificates of \$0.11M.

Grants & Subsidy Revenues (Actual \$1.44M – Budget \$1.00M = Variance \$0.44M)

The YTD budget includes provincial and federal grants of \$1.00M. The favourable variance of \$0.44M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$4.34M – Budget \$4.20M = Variance \$0.14M)

The favourable variance of \$0.14M resulted primarily from a one-time LED streetlight retrofit rebate from PowerStream \$0.30M, partially offset by other items from various departments less than (\$0.05M) each.

PERSONNEL EXPENDITURES

At the end of September, personnel expenditures were favourable by \$1.43M or 98.4% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$84.03 M	\$86.61 M	\$2.58 M
Overtime and other personnel costs	\$2.34 M	\$1.19 M	(\$1.15 M)
Total	\$86.37 M	\$87.80 M	\$1.43 M

At the end of September, there were 39 net temporary vacancies (of which 12 were vacancies from approved leaves of absence and secondments) and a year-to-date average 50 net temporary vacancies resulting in a favourable variance of \$3.30M. This was offset by full year budgeted salary gapping of (\$0.46M) and an unfavourable variance of (\$0.26M) in part-time salaries, netting a favourable variance of \$2.58M.

Overtime and other personnel costs were unfavourable by (\$1.15M) mainly due to coverage for absences in the Fire Department (\$1.10M) (offset by a corresponding favourable full-time variance of \$1.30M).

NON-PERSONNEL EXPENDITURES

At the end of September, non personnel expenditures were favourable by \$1.66M or 97.0% of year-to-date budget.

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 3.61 M	\$ 4.36 M	\$ 0.75 M
Purchased Services	\$ 25.12 M	\$ 26.21 M	\$ 1.09 M
Transfers to Reserves	\$ 23.35 M	\$ 23.30 M	(\$ 0.05 M)
Other Expenditures	\$ 2.19 M	\$ 2.06 M	(\$ 0.13 M)
Total	\$ 54.27 M	\$ 55.93 M	\$ 1.66 M

Materials & Supplies (Actual \$3.61M – Budget \$4.36M = Variance \$0.75M)

Materials & supplies YTD budget of \$4.36M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.04M), vehicle supplies such as fuel and repair parts (budget \$1.22M), and printing and office supplies (budget \$0.43M).

The favourable variance of \$0.75M is primarily due to operating materials and supplies (eg. building maintenance supplies, uniforms, program expenses) \$0.47M, printing and office supplies of \$0.18M and fuel (gas and diesel) \$0.10M driven by lower oil prices.

Purchased Services (Actual \$25.12M – Budget \$26.21M = Variance \$1.09M)

Purchased services YTD budget of \$26.21M includes utilities and streetlight hydro (budget \$7.72M), waste collection (budget \$5.96M), maintenance & repairs (\$3.43M), insurance (\$2.00M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.77M), communications (\$1.07M) and promotion and advertising (budget \$0.95M).

Purchased Services were favourable \$1.09M mainly due to:

- \$0.45M favourable in waste collection
- \$0.33M favourable in professional fees, training, and travel
- \$0.19M favourable due to communications (telephone data charges and services)
- \$0.10M favourable in contract service agreements due to the discontinuation of Regional boulevard grass cutting

These are partially offset by an insurance unfavourable variance of (\$0.18M) due to the cost associated with claim settlements.

Transfers to Reserves (Actual \$23.35M – Budget \$23.30M = Variance (\$0.05M))

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

Other Expenditures (Actual \$2.19M – Budget \$2.06M = Variance (\$0.13M))

Other expenditures YTD budget of \$2.06M includes property tax adjustments and property vacancy rebates (budget \$0.87M), corporate contingency (budget \$0.37M), non-personnel ramp ups (\$0.35M) and grants (\$0.30M).

Other expenditures were unfavourable (\$0.13M) at the end of September due to property tax adjustments (\$0.16M).

Property tax adjustments are anticipated to be unfavourable by (\$0.45M) at year-end due to an acceleration in the processing of Assessment Review Board (ARB) cases in an effort to eliminate backlog as previously communicated in 2014 and 2015. This projection has been included in the year-end forecast for operations as part of this report.

YEAR-END PROJECTION**Primary Operating Budget Including Year-End Accounting Adjustments**

	Projected Year-End Variance Fav./Unfav.)
1. Primary operating budget (day-to-day operations)	\$4.50M
2. Year-end accounting accruals and other adjustments	(\$0.97M)
Total	\$3.53M
3. Winter maintenance favourable variance	\$1.21M
Surplus	\$4.74M

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 \$3.53M (including year-end accounting accruals and other adjustments, and excluding winter maintenance). This projection is the same amount as the July projection, however, staff is forecasting expenditures to be favourable by \$3.60M, a reduction of \$0.40M due to additional Fire overtime costs expected by year-end. This is offset by an increase in revenues of \$0.40M (from \$0.50M to \$0.90M).

The City's year-end accounting accruals and other adjustments include firefighters sick leave, severance and salary continuance, post retirement benefits, and 27th pay accrual. The 2016 year-end accounting accruals and other adjustments are estimated at a net cost of (\$0.97M).

There are several one-time items affecting the City's 2016 year-end projection. These items are either one-time revenues or expenses incurred or expected in 2016. In some cases, budgets have been adjusted in 2016 where needed. They have been summarized below:

- \$1.10M favourable for corporate contingency
- \$0.51M from transfers to reserves (to be adjusted in 2017 Budget)
- \$0.49M favourable for property tax penalty and interest (to be adjusted in 2017 Budget)
- \$0.40M favourable in waste collection (to be adjusted in the 2017 Budget)
- \$0.40M favourable for one-time OMERS type 6 rebate
- \$0.30M favourable one-time LED streetlight retrofit rebate from PowerStream
- (\$0.08M) unfavourable due to the discontinuation of Regional boulevard grass cutting (to be adjusted in the 2017 Budget)
- (\$0.13M) due to asphalt repairs contract (to be adjusted in 2017 Budget)
- (\$0.15M) unfavourable component in Recreation revenue (to be adjusted in 2017 Budget)
- (\$0.17M) unfavourable in insurance due to the cost associated with claim settlements (to be adjusted in 2017 Budget)
- (\$0.25M) unfavourable in supplemental taxes due to construction delays from the dry wall trades' strike earlier in the year
- (\$0.26M) unfavourable variance due to year-end accounting accruals and other adjustments (continuing to be ramped up for in 2017 Budget)
- (\$0.31M) unfavourable for property tax adjustments (continuing to be ramped up for in 2017 Budget)
- (\$0.67M) unfavourable from HRIS project one time implementation costs

Total: \$1.18M favourable variance

After adjusting for the above items and the transfer to the Corporate Rate Stabilization Reserve to maintain it at 15% of the local tax levy (\$0.36M), the City's results of operations including year-end accounting accruals and other adjustments would result in a projected surplus of \$1.99M (\$3.53M - \$1.18M - \$0.36M).

It should be noted that a surplus, in the past, has been used to offset historical winter maintenance costs in the event of an unfavourable variance to budget.

Winter Maintenance Operations

Winter maintenance operations is projected to have a year-end favourable variance of \$1.21M, based on an assumption of 25% unfavourable variance for the last six weeks of the year.

Planning & Design

Planning & Design is projecting a year-end surplus of \$0.46M compared to a budgeted deficit of (\$0.22M). This will result in a transfer to reserve of \$0.46M (a favourable variance to budget of \$0.68M). The projected surplus is due to a higher than forecasted number of units registered through subdivision or site plan agreements, and favourable personnel variances due to continuation of 4 net average vacancies to year-end. This projection is an improvement of \$0.40M from July's projection (July: \$0.06M, September: \$0.46M) presented to General Committee in September.

Engineering

Engineering is projecting to be on budget at year end compared to a budgeted deficit of (\$0.79M). This will result in no transfer from reserve. This projection is an improvement of \$0.79M from July's projection (July: (\$0.79M), September: \$0.00M) presented to General Committee in September.

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$11.28M) at year-end (see Appendix 5).

Building Standards

Staff is projecting a year-end deficit of (\$1.07M) compared to a budgeted deficit of (\$1.61M). This will result in a draw from reserve of (\$1.07M) which is lower than the budgeted deficit by \$0.54M. This variance is due to 5 average net full-time vacancies. This projection is unchanged from the July projection.

Based on the above year end projection in Building Services, the balance of the reserve is anticipated to be \$7.59M at year-end (see Appendix 7).

Waterworks

Based on the September year-to-date results, Waterworks is projecting a year end surplus of \$15.06M. This will result in a lower transfer to reserve of (\$0.90M). This projection is an improvement of \$1.30M from the July projection (July: (\$2.20M), September: (\$0.90M)) due to increased water sales in the months of August and September coupled with reduced NRW (from 14.6% for June YTD to 11.5% for August YTD).

The Waterworks reserve balance is projected to be \$50.95M at year-end (see Appendix 9).

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations for the balance of the year and will report back in the first quarter of 2017 with the year end results.

RECOMMENDED

11/8/2016

08/11/2016

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:**Appendices 1 to 14:**

Appendix 1 – Primary Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 2 – Library Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 4 – Engineering Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at September 30, 2016

Appendix 6 – Building Standards Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 7 – Building Fee Reserve Balance as at September 30, 2016

Appendix 8 – Waterworks Operating Budget - Financial Results for the Nine Months Ended September 30, 2016

Appendix 9 – Waterworks Reserve Balance as at September 30, 2016

Appendix 10 – Variances by Commission and Department for the nine months ended September 30, 2016– CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the nine months ended September 30, 2016– Community and Fire Services

Appendix 12 – Variances by Commission and Department for the nine months ended September 30, 2016– Corporate Services

Appendix 13 – Variances by Commission and Department for the nine months ended September 30, 2016– Development Services

Appendix 14 – Variances by Commission and Department for the nine months ended September 30, 2016– Corporate Items