



Report to: General Committee

Meeting Date: September 26, 2016

SUBJECT: 2016 July Year-To-Date Review of Operations and Year End Projection
PREPARED BY: Andrea Tang, Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2016 July 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 July 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 July results (January 1 to July 31).

Surplus (incl. winter maintenance): Actual \$41.33M – Budget \$36.23M = Favourable variance \$5.10M
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The City operating YTD July surplus, excluding winter maintenance, was \$46.80M against a budget of \$43.08M, resulting in a favourable variance of \$3.72M. As noted above, the net City operations, including winter maintenance, incurred a favourable variance of \$5.10M.

(\$ in millions)	<u>YTD July 2016</u>		<u>Variance</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	<u>Budget</u>
Revenues	161.20	160.41	0.79	100.5%
Expenses	114.40	117.33	2.93	97.5%
Surplus excluding winter maintenance	46.80	43.08	3.72	
Winter Maintenance	5.47	6.85	1.38	
Net surplus including winter maintenance	41.33	36.23	5.10	

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$3.72M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Investment Income	0.42	M	Salary & benefit costs	1.76	M
Federal and Provincial grants	0.25	M	Professional services/ office supplies/ training/ travel	0.39	M
Parking violations, licences & permits	0.09	M	Fuel (gas & diesel)	0.12	M
Financial services admin fees & Legal fees	0.08	M	Waste collection	0.30	M
Finance user fees	0.08	M	Operating materials & supplies	0.30	M
Theatre revenues (ticket sales, technical support services and rental)	0.06	M	Contract service agreements	0.22	M
Recreation revenue	(0.29)	M	Communications	0.14	M
Other	0.10	M	Property tax adjustments	(0.06)	M
			Insurance	(0.11)	M
			Other	(0.13)	M
Total	0.79	M	Total	2.93	M

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

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

In 2015, the winter maintenance expenditures were unfavourable by (\$0.30M) (Actual \$6.78M, Budget \$6.48M) for the same period.

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 July 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).

The City is forecasting year-end spending at 98.5% of the expenditure budget (including year-end accounting accruals and other adjustments), resulting in an operating surplus of \$3.03M (\$4.00M – (\$0.97M)).

The projected favourable variance is mainly due to reductions 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 property tax adjustments, fire overtime, one-time Human Resources Information System (HRIS) project implementation costs and insurance.

The City is projecting to collect 100.2% of the revenue budget, resulting in a favourable variance of \$0.50M.

The projected favourable variance is mainly due to higher provincial/federal grants, interest and penalties, one-time OMERS type 6 rebate and LED streetlight retrofit rebate from PowerStream partially offset by unfavourable variance in Recreation revenue from facility rentals, fitness centres and programs, 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 \$0.73M – Budget \$0.59M = Favourable variance \$0.14M
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At the end of July, the Planning department incurred a surplus of \$0.73M against a budgeted surplus of \$0.59M. The favourable variance of \$0.14M was mainly due to lower personnel costs of \$0.28M from a year-to-date average of five temporary net vacancies (five temporary net vacancies as at July 31) partially offset by lower than budgeted Planning fees.

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$0.06M compared to a budgeted deficit of (\$0.22M). This will result in a transfer to reserve of \$0.06M (a favourable variance to budget of \$0.28M). 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 5 net average vacancies to year-end.

Engineering (Appendix 4)

Actual \$0.61M – Budget (\$0.27M) = Favourable variance \$0.88M
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At the end of July, the Engineering department incurred a surplus of \$0.61M against a budgeted deficit of (\$0.27M). The favourable variance of \$0.88M was mainly due to higher than budgeted Engineering fees.

Year-End Projection:

Engineering is projecting a year-end deficit of (\$0.79M), the same as the budgeted deficit of (\$0.79M). This will result in a draw from reserve of (\$0.79M).

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$12.47M) at year-end (see Appendix 5).

Building Standards (Appendix 6)

Actual (\$0.79M) – Budget (\$1.03M) = Favourable variance \$0.24M
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At the end of July, the Building Standards department incurred a deficit of (\$0.79M) against a budgeted deficit of (\$1.03M). The favourable variance of \$0.24M was mainly due to lower personnel costs of \$0.22M from a year-to-date average of six temporary net vacancies (five temporary net vacancies as at July 31).

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. The change is due to 5 average net full-time vacancies.

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 \$5.18M – Budget \$7.62M = Unfavourable variance (\$2.45M)
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At the end of July, the Waterworks department incurred a surplus of \$5.18M against a budgeted surplus of \$7.62M. The main drivers for the unfavourable variance of (\$2.45M) were as follows:

- Lower than budgeted water sales and higher non-revenue water. Year-to-date June average actual non-revenue water (NRW) was 14.6% compared to a budget of 11% resulting in an unfavourable “net sales and purchases” variance of (\$2.79M) (the 12 month average NRW is 11.6%, July 2015 – June 2016); offset by:
 - Lower non-personnel costs resulting in a favourable variance of \$0.26M due to lower operating and construction materials and supplies costs;
 - Lower personnel costs resulting in a favourable variance of \$0.07M due to year-to-date average of four temporary net vacancies (four temporary net vacancies as of July 31).

Year-End Projection:

Based on the July year-to-date results, Waterworks is projecting a year end surplus of \$13.76M. This will result in a lower transfer to reserve of (\$2.20M).

The Waterworks reserve balance is projected to be \$49.65M 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 July 31, 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 seven months ended July 31, 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 July results:

<u>Commission</u>	<u>YTD July 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources, Legal and Sustainability Office	2.80	3.28	0.48
Community & Fire Services (excl. winter maintenance)	51.56	53.48	1.92
Corporate Services	8.81	9.42	0.61
Development Services	3.14	3.39	0.25
Corporate Items	(113.11)	(112.65)	0.46
Net Expense/ (Revenue)	(46.80)	(43.08)	3.72

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 July 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.45	0.51	0.06
Human Resources	1.60	1.77	0.17
Legal	0.62	0.79	0.17
Sustainability Office	0.13	0.21	0.08
Net Expense	2.80	3.28	0.48

Human Resources (Actual \$1.60M – Budget \$1.77M = Variance \$0.17M)

Favourable variance of \$0.17M mainly due to a year-to-date average of two temporary net vacancies (one temporary net vacancy as of July 31).

Legal (Actual \$0.62M – Budget \$0.79M = Variance \$0.17M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy (one temporary net vacancy as of July 31) \$0.11M, external legal costs \$0.03M and legal fee revenue \$0.03M.

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

Department	YTD July 2016		Variance
	Actual	Budget	fav./(unfav.)
Operations	10.99	11.61	0.62
Asset Management	4.64	4.85	0.21
Fire Services	19.92	20.30	0.38
Library	6.50	6.62	0.12
Recreation Services	5.21	5.29	0.08
Waste	3.99	4.38	0.39
Commissioner's Office	0.31	0.43	0.12
Net Expense	51.56	53.48	1.92

Operations (Actual \$10.99M – Budget \$11.61M = Variance \$0.62M)

Favourable variance mainly due to a year-to-date average of four temporary net vacancies (three temporary net vacancies as of July 31) \$0.45M, contract service agreements due to the discontinuation of Regional boulevard grass cutting \$0.18M (offset by the discontinued recoveries from the Region of (\$0.20M)) and fuel (gas and diesel) \$0.12M, driven by lower oil prices.

Asset Management (Actual \$4.64M – Budget \$4.85M = Variance \$0.21M)

Favourable variance mainly due to streetlight hydro and maintenance \$0.08M, utility locates \$0.04M, janitorial and operating contracted services agreements \$0.04M and operating materials & supplies \$0.02M.

Fire Services (Actual \$19.92M – Budget \$20.30M = Variance \$0.38M)

Favourable variance mainly due to a year-to-date average of seventeen temporary net vacancies (seventeen temporary net vacancies as of July 31) \$1.10M partially offset by unfavourable variance from higher overtime costs (\$0.65M) to cover for absences and full year salary gapping (\$0.15M).

Library (Actual \$6.50M – Budget \$6.62M = Variance \$0.12M)

Favourable variance mainly due to a year-to-date average of eight temporary net vacancies (seven temporary net vacancies as of July 31).

Recreation (Actual \$5.21M – Budget \$5.29M = Variance \$0.08M)

Recreation revenues were unfavourable by (\$0.37M) in user fees and other service charges mainly due to facility rentals (\$0.26M) and fitness centres (\$0.09M). This was partially

offset by a favourable variance of \$0.08M from provincial grants, for a net unfavourable variance in revenues of (\$0.29M) (actual \$11.56M, budget \$11.85M).

The YTD unfavourable variance in revenue was offset by lower personnel costs \$0.19M and non-personnel costs from operating materials & supplies \$0.18M. In summary, the Recreation department incurred a net favourable variance of \$0.08M. For comparison, the July 2015 year-to-date net variance was unfavourable by (\$0.12M).

Waste (Actual \$3.99M – Budget \$4.38M = Variance \$0.39M)

Favourable variance mainly due to lower waste tonnage \$0.30M and the additional Waste Diversion of Ontario (WDO) grant of \$0.04M.

Commissioner's Office (Actual \$0.31M – Budget \$0.43M = Variance \$0.12M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy (one temporary net vacancies as of July 31) and various non-personnel accounts.

Corporate Services (Appendix 12)

<u>Department</u>	<u>YTD July 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Legislative Services	1.60	1.68	0.08
Financial Services	2.11	2.30	0.19
ITS	4.12	4.39	0.27
Corp. Communications & Community Engagement	0.78	0.83	0.05
Commissioner's Office	0.20	0.22	0.02
Net Expense	8.81	9.42	0.61

Financial Services (Actual \$2.11M – Budget \$2.30M = Variance \$0.19M)

Favourable variance mainly due to finance fees: ownership changes, non-property tax related charges and tax certificates of \$0.08M and a year-to-date average of two temporary net vacancies (three temporary net vacancies as of July 31) \$0.08M.

ITS (Actual \$4.12M – Budget \$4.39M = Variance \$0.27M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies (two temporary net vacancies as of July 31) \$0.11M, communications (telephone data charges and services) \$0.08M and training \$0.03M.

Development Services (Appendix 13)

<u>Department</u>	<u>YTD July 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	2.51	2.71	0.20
Commissioner's Office	0.63	0.68	0.05
Net Expense	3.14	3.39	0.25

Culture & Economic Development (Actual \$2.51M – Budget \$2.71M = Variance \$0.20M)
Favourable variance mainly due to additional provincial and federal grants \$0.09M and Theatre revenues \$0.06M.

Corporate Items (Appendix 14)

Department	YTD July 2016		Variance
	Actual	Budget	fav./ (unfav.)
Corporate Items	(113.11)	(112.65)	0.46
Net Revenue	(113.11)	(112.65)	0.46

Favourable variance mainly due to investment income \$0.42M resulting from capital gains.

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 \$3.72M and the breakdown is as follows:

REVENUES

At the end of July, revenues totalled \$161.20M against a budget of \$160.41M resulting in a favourable variance of \$0.79M or 100.5% of the year-to-date budget.

Revenues	Actual	Budget	Fav./ (Unfav.)
Property Taxation Revenues	\$ 127.93 M	\$ 127.89 M	\$ 0.04 M
General Revenues	\$ 14.46 M	\$ 13.93 M	\$ 0.53 M
User Fees & Service Charges	\$ 14.43 M	\$ 14.69 M	(\$ 0.26 M)
Grant & Subsidy Revenues	\$ 0.94 M	\$ 0.69 M	\$ 0.25 M
Other Income	\$ 3.44 M	\$ 3.21 M	\$ 0.23 M
Net Variance	\$ 161.20 M	\$ 160.41 M	\$ 0.79 M

Property Taxation Revenues (Actual \$127.93M – Budget \$127.89M = Variance \$0.04M)

Property taxation revenue includes property taxes (budget \$126.68M) and payments-in-lieu of taxes (budget \$1.21M).

General Revenues (Actual \$14.46M – Budget \$13.93M = Variance \$0.53M)

The general revenues YTD budget of \$13.93M includes investment income (budget \$8.34M), property tax penalty and interest (budget \$2.62M), parking fines (budget \$1.65M) and business, taxi, marriage and other licences (budget \$1.29M).

At the end of July, the YTD general revenues totaled \$14.46M against a YTD budget of \$13.93M. The main driver for the favourable variance of \$0.53M was due to investment income of \$0.42M resulting from capital gains and parking violations of \$0.09M.

Investment income is forecasted to be \$0.08M favourable at year end.

User Fees and Service Charges (Actual \$14.46M – Budget \$14.69M = Variance (\$0.26M))

The user fees and services charges YTD budget of \$14.69M 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 \$10.11M), and facility rentals for arenas, pools, gym and halls (budget \$4.58M).

User fees and service charges were unfavourable by (\$0.26M), the main drivers of which were:

Recreation

Recreation revenues were unfavourable by (\$0.37M) in user fees and other service charges mainly due to facility rentals (\$0.26M) and fitness centres (\$0.09M). This was partially offset by a favourable variance of \$0.08M from provincial grants for a net unfavourable variance in revenues of (\$0.29M) (actual \$11.56M, budget \$11.85M).

The unfavourable variances in Recreation user fees and services charges of (\$0.37M) is partially offset by favourable variances totalling \$0.08M in: Financial Services fees such as ownership changes, other service charges and tax certificates.

Grants & Subsidy Revenues (Actual \$0.94M – Budget \$0.69M = Variance \$0.25M)

The YTD budget includes provincial and federal grants of \$0.69M. The favourable variance of \$0.25M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$3.44M – Budget \$3.21M = Variance \$0.23M)

The favourable variance of \$0.23M 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 July, personnel expenditures were favourable by \$1.76M or 97.5% of the year-to-date budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$65.76 M	\$68.20 M	\$2.44 M
Overtime and other personnel costs	\$1.63 M	\$0.95 M	(\$0.68 M)
Total	\$67.39 M	\$69.15 M	\$1.76 M

At the end of July, there were 48 net temporary vacancies (of which 9 were vacancies from approved leaves of absence and secondments) and a year-to-date average 54 net temporary vacancies resulting in a favourable variance of \$2.96M. This was offset by full year budgeted salary gapping of (\$0.46M) and an unfavourable variance of (\$0.06M) in part-time salaries, netting a favourable variance of \$2.44M.

Overtime and other personnel costs were unfavourable by (\$0.68M) mainly due to coverage for absences in the Fire Department (\$0.65M) (offset by a corresponding favourable full-time variance of \$1.09M).

NON-PERSONNEL EXPENDITURES

At the end of July, non personnel expenditures were favourable by \$1.17M or 97.6% of year-to-date budget.

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 2.91 M	\$ 3.34 M	\$ 0.43 M
Purchased Services	\$ 20.60 M	\$ 21.39 M	\$ 0.79 M
Transfers to Reserves	\$ 22.08 M	\$ 22.08 M	\$ 0.00 M
Other Expenditures	\$ 1.42 M	\$ 1.37 M	(\$ 0.05 M)
Total	\$ 47.01 M	\$ 48.18 M	\$ 1.17 M

Materials & Supplies (Actual \$2.91M – Budget \$3.34M = Variance \$0.43M)

Materials & supplies YTD budget of \$3.34M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$1.55M), vehicle supplies such as fuel and repair parts (budget \$0.94M), and printing and office supplies (budget \$0.36M).

The favourable variance of \$0.43M is primarily due to operating materials and supplies (eg. building maintenance supplies, uniforms, program expenses) \$0.30M, and fuel (gas and diesel) \$0.12M driven by lower oil prices.

Purchased Services (Actual \$20.60M – Budget \$21.39M = Variance \$0.79M)

Purchased services YTD budget of \$21.39M includes utilities and streetlight hydro (budget \$5.87M), waste collection (budget \$4.48M), maintenance & repairs (\$2.70M), insurance (\$1.88M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.45M) and communications (\$0.90M).

Purchased Services were favourable \$0.79M mainly due to:

- \$0.30M favourable in waste collection
- \$0.24M favourable in professional fees, training, and travel
- \$0.22M favourable in contract service agreements
- \$0.14M favourable due to communications (telephone data charges and services)

These are partially offset by an insurance unfavourable variance of (\$0.11M) due to the cost associated with claim settlements.

Transfers to Reserves (Actual \$22.08M – Budget \$22.08M = Variance \$0.00M)

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

Other Expenditures (Actual \$1.42M – Budget \$1.37M = Variance (\$0.05M))

Other expenditures YTD budget of \$1.37M includes property tax adjustments and property vacancy rebates (budget \$0.62M) and non-personnel ramp ups (\$0.35M).

Other expenditures were unfavourable (\$0.05M) at the end of July due to property tax adjustments (\$0.06M).

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 July 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).

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)
- \$0.40M favourable in waste collection (to be adjusted in the 2017 Budget)
- \$0.40M favourable for one-time OMERS type 6 rebate
- \$0.30M favourable for property tax penalty and interest (to be adjusted in 2017 Budget)
- \$0.30M favourable one-time LED streetlight retrofit rebate from PowerStream

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- (\$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)
 - (\$0.26M) 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: \$1.24M favourable variance

After adjusting for the above items and including an amount to maintain the Corporate Rate Stabilization Reserve 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 \$1.93M (\$3.53M - \$1.24M - \$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 \$0.06M compared to a budgeted deficit of (\$0.22M). This will result in a transfer to reserve of \$0.06M (a favourable variance to budget of \$0.28M). The projected surplus is due to higher forecasted number of units registered through subdivision or site plan agreements, and favourable personnel variances due to continuation of 5 net average vacancies into year-end.

Engineering

Engineering is projecting a year-end deficit of (\$0.79M) which is the same as the budgeted deficit of (\$0.79M). This will result in a draw from reserve of (\$0.79M).

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$12.47M) 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. The change is due to 5 average net full-time vacancies.

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 July year-to-date results, Waterworks is projecting a year end surplus of \$13.76M. This will result in a lower transfer to reserve of (\$2.20M).

The Waterworks reserve balance is projected to be \$49.65M 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 2016 year-to-date review of operations to be brought forward to General Committee in November 2016.

RECOMMENDED

 X	 X
Joel Lustig Treasurer	Trinela Cane Commissioner, Corporate Services

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

Appendix 1 – Primary Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 2 – Library Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 4 – Engineering Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at July 31, 2016

Appendix 6 – Building Standards Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 7 – Building Fee Reserve Balance as at July 31, 2016

Appendix 8 – Waterworks Operating Budget - Financial Results for the Seven Months Ended July 31, 2016

Appendix 9 – Waterworks Reserve Balance as at July 31, 2016

Appendix 10 – Variances by Commission and Department for the seven months ended July 31, 2016– CAO’s Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the seven months ended July 31, 2016– Community and Fire Services

Appendix 12 – Variances by Commission and Department for the seven months ended July 31, 2016– Corporate Services

Appendix 13 – Variances by Commission and Department for the seven months ended July 31, 2016– Development Services

Appendix 14 – Variances by Commission and Department for the seven months ended July 31, 2016– Corporate Items