



Report to: General Committee

Meeting Date: May 16, 2016

SUBJECT: 2016 March Year-To-Date Review of Operations
PREPARED BY: Andrea Tang, Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2016 March Year-To-Date Review of Operations” 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 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 \$19.78M – Budget \$15.90M = Favourable variance \$3.88M
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City operations YTD March surplus, excluding winter maintenance, was \$24.62M against a budget of \$22.74M, resulting in a favourable variance of \$1.88M. As noted above the net City operations, including winter maintenance, incurred a favourable variance of \$3.88M.

(\$ in millions)	YTD Mar. 2016		Variance
	Actual	Budget	fav./ (unfav.)
Revenues	82.88	82.31	0.57
Expenses			
Personnel Expenses	28.48	28.97	0.49
Non-Personnel Expenses	29.78	30.60	0.82
Total Expenses	58.26	59.57	1.31
Surplus excluding winter maintenance	24.62	22.74	1.88
Winter Maintenance	4.84	6.84	2.00
Net surplus including winter maintenance	19.78	15.90	3.88

City's Surplus excluding winter maintenance**City's surplus excluding winter maintenance = Favourable variance \$1.88M**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Investment income	0.46	M	Salaries & benefits	0.49	M
Financial services admin fees & Legal fees	0.18	M	Professional services/ office supplies/ training/ travel	0.20	M
Federal and Provincial grants	0.07	M	Maintenance and Repairs	0.10	M
Finance user fees	0.06	M	Operating materials and supplies	0.09	M
Recreation revenue	(0.18)	M	Contract Service Agreements	0.08	M
			Fuel (Gas and Diesel)	0.08	M
			Communications	0.07	M
Other	(0.02)	M	Other	0.20	M
Total	0.57	M	Total	1.31	M

Winter Maintenance**Winter maintenance = Favourable variance \$2.00M**

The 2016 actual winter maintenance expenditures at the end of the March totaled \$4.84M against a budget of \$6.84M, resulting in a favourable variance of \$2.00M.

In 2015, the winter maintenance expenditures were unfavourable by (\$0.03M) (Actual \$6.51M, Budget \$6.48M) for the same period.

Planning & Design (Appendix 3)**Actual \$0.87M – Budget \$0.63M = Favourable variance \$0.24M**

At the end of March, the Planning department incurred a surplus of \$0.87M against a budgeted surplus of \$0.63M. The favourable variance of \$0.24M was mainly due to higher than budgeted Planning and Design fees by \$0.20M and lower personnel costs of \$0.04M from a year-to-date average of five temporary net vacancies (four temporary net vacancies as of March 31).

Engineering (Appendix 4)**Actual (\$0.47M) – Budget (\$0.81M) = Favourable variance \$0.34M**

At the end of March, the Engineering department incurred a deficit of (\$0.47M) against a budgeted deficit of (\$0.81M). The favourable variance of \$0.34M was mainly due to higher than budgeted Engineering fees.

Building Standards (Appendix 5)

Actual (\$0.53M) – Budget (\$0.61M) = Favourable variance \$0.08M
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At the end of March, the Building Standards department incurred a deficit of (\$0.53M) against a budgeted deficit of (\$0.61M). The favourable variance of \$0.08M was mainly due to a higher number of building permits being issued.

Waterworks (Appendix 6)

Actual \$0.97M – Budget \$1.49M = Unfavourable variance (\$0.53M)
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At the end of March, the Waterworks department incurred a surplus of \$0.97M against a budgeted surplus of \$1.49M. The main drivers for the unfavourable variance of (\$0.53M) were as follows:

- Lower than budgeted water sales and higher non-revenue water, year-to-date February average actual non-revenue water (NRW) was 15.1% compared to a budget of 11% resulting in an unfavourable “net sales and purchases” variance of (\$0.90M) (the 12 month rolling average NRW is 11.7%, March 2015 – February 2016); offset by:
- Lower non-personnel costs resulting in a favourable variance of \$0.23M due to lower operating and construction materials and supplies costs;
- Higher other revenues resulting in a favourable variance of \$0.11M from increased bulk water sales

PURPOSE:

To report on the year-to-date actual 2016 operating budget results versus the budgeted 2016 operating budget as at March 31, 2016.

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 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, 2016 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 Mar. 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources, Legal and Sustainability Office	0.79	1.11	0.32
Community & Fire Services (excl. winter maintenance)	18.99	19.77	0.78
Corporate Services	3.11	3.38	0.27
Development Services	0.59	0.62	0.03
Corporate Items	(48.10)	(47.62)	0.48
Net Expense/ (Revenue)	(24.62)	(22.74)	1.88

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

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

<u>Department</u>	<u>YTD Mar. 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.16	0.18	0.02
Human Resources	0.44	0.58	0.14
Legal	0.15	0.26	0.11
Sustainability Office	0.04	0.09	0.05
Net Expense	0.79	1.11	0.32

Human Resources (Actual \$0.44M – Budget \$0.58M = Variance \$0.14M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.07M, recruitment advertising \$0.04M and training \$0.02M.

Legal (Actual \$0.15M – Budget \$0.26M = Variance \$0.11M)

Favourable variance mainly due to a year-to-date average of one temporary net vacancy \$0.05M, external legals costs \$0.04M and legal fee revenue \$0.02M.

Sustainability Office (Actual \$0.04M – Budget \$0.09M = Variance \$0.05M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.04M.

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

Department	<u>YTD Mar. 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Arts Centre	0.20	0.21	0.01
Museum	0.22	0.26	0.04
Theatre	0.14	0.18	0.04
Culture Admin	0.11	0.11	0.00
Operations	2.96	3.35	0.39
Asset Management	2.10	2.23	0.13
Fire Services	7.92	8.07	0.15
Library	3.03	3.09	0.06
Recreation Services	0.82	0.69	(0.13)
Waste	1.44	1.47	0.03
Commissioner's Office	0.06	0.11	0.05
Net Expense	18.99	19.77	0.78

Operations (Actual \$2.96M – Budget \$3.35M = Variance \$0.39M)

Favourable variance mainly due to a year-to-date average of five temporary net vacancies \$0.23M, fuel (gas and diesel) \$0.08M (volume \$0.02M and price \$0.06M) and part-time salaries \$0.08M.

Asset Management (Actual \$2.10M – Budget \$2.23M = Variance \$0.13M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies (one temporary net vacancy as of March 31) \$0.06M and utility locates \$0.04M.

Fire Services (Actual \$7.92M – Budget \$8.07M = Variance \$0.15M)

Favourable variance mainly due to a year-to-date average of sixteen temporary net vacancies \$0.34M offset by unfavourable variance from higher overtime costs (\$0.13M) to cover for absences and full year salary gapping (\$0.15M). The remaining variance is partially due to operating materials and supplies such as uniforms and program expenses \$0.04M and maintenance and repairs \$0.01M.

Library (Actual \$3.03M – Budget \$3.09M = Variance \$0.06M)

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

Recreation Services (Actual \$0.82M – Budget \$0.69M = Variance (\$0.13M))

Recreation revenues were unfavourable by (\$0.18M) (actual \$5.85M, budget \$6.03M) mainly in facility rentals (\$0.22M) and programs (\$0.07M) partially offset by favourability in aquatics \$0.10M.

The YTD unfavourable variance in revenue was primarily offset by lower non-personnel costs from contract service agreements \$0.06M for a net unfavourable variance of (\$0.13M).

Commissioner's Office (Actual \$0.06M – Budget \$0.11M = Variance \$0.05M)

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 Mar. 2016</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Legislative Services	0.32	0.43	0.11
Financial Services	0.69	0.75	0.06
ITS	1.85	1.90	0.05
Corp. Communications & Community Engagement	0.17	0.22	0.05
Commissioner's Office	0.08	0.08	0.00
Net Expense	3.11	3.38	0.27

Legislative Services (Actual \$0.32M – Budget \$0.43M = Variance \$0.11M)

Favourable variance mainly due to higher business licences \$0.06M, parking fines \$0.02M and printing and office supplies \$0.02M.

Financial Services (Actual \$0.69M – Budget \$0.75M = Variance \$0.06M)

Favourable variance mainly due to finance fees: ownership changes, non-property tax related charges and tax certificates.

ITS (Actual \$1.85M – Budget \$1.90M = Variance \$0.05M)

Favourable variance mainly due to telephone data charges and services.

Corporate Communications (Actual \$0.17M – Budget \$0.22M = Variance \$0.05M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies (three temporary net vacancies as of March 31).

Development Services (Appendix 13)

<u>Department</u>	<u>YTD Mar. 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Economic Development	0.34	0.36	0.02
Commissioner's Office	0.25	0.26	0.01
<u>Net Expense</u>	<u>0.59</u>	<u>0.62</u>	<u>0.03</u>

There were no variances greater than \$0.05M.

Corporate Items

<u>Department</u>	<u>YTD Mar. 2016</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Corporate Items	(48.10)	(47.62)	0.48
<u>Net Revenue</u>	<u>(48.10)</u>	<u>(47.62)</u>	<u>0.48</u>

Favourable variance mainly due to investment income \$0.46M.

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 \$1.88M and the breakdown is as follows:

REVENUES

At the end of March, revenues totalled \$82.88M against a budget of \$82.31M resulting in a favourable variance of \$0.57M (100.7% of budget).

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 67.93 M	\$ 67.93 M	\$ 0.00 M
General Revenues	\$ 6.56 M	\$ 5.93 M	\$ 0.63 M
User Fees & Service Charges	\$ 6.48 M	\$ 6.63 M	(\$ 0.15 M)
Grant & Subsidy Revenues	\$ 0.40 M	\$ 0.33 M	\$ 0.07 M
Other Income	\$ 1.51 M	\$ 1.49 M	\$ 0.02 M
<u>Net Variance</u>	<u>\$ 82.88 M</u>	<u>\$ 82.31 M</u>	<u>\$ 0.57 M</u>

Property Taxation Revenues (Actual \$67.93M – Budget \$67.93M = Variance \$0.00M)
Property taxation revenue YTD budget includes property taxes (budget \$67.93M).

General Revenues (Actual \$6.56M – Budget \$5.93M = Variance \$0.63M)

The general revenues YTD budget of \$5.93M includes investment income (budget \$2.22M), interest and penalties on property taxes (budget \$1.26M), business, taxi, marriage and other licences (budget \$0.62M), and parking fines (budget \$0.66M).

General revenues also include PowerStream interest and dividends (YTD budget \$1.16M) 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 \$6.56M at the end of March against a YTD budget of \$5.93M. The main driver for the favourable variance of \$0.63M was due to investment income of \$0.46M resulting from a higher portfolio balance \$0.24M and higher rate of return \$0.22M., interest and penalties on property taxes \$0.08M, licences and permits (business licences) \$0.06M and parking violations of \$0.02M.

User Fees and Service Charges (Actual \$6.48M – Budget \$6.63M= Variance (\$0.15M))

The user fees and services charges YTD budget of \$6.63M 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 \$3.97M), and facility rentals for arenas, pools, gym and halls (budget \$2.66M).

User fees and service charges were unfavourable by (\$0.15M), the main drivers of which were:

Recreation

Recreation revenues were unfavourable by (\$0.18M) (actual \$5.85M, budget \$6.03M) mainly in facility rentals (\$0.22M) and programs (\$0.07M) partially offset by favourability in aquatics \$0.10M.

The YTD unfavourable variance in revenue was primarily offset by lower non-personnel costs from contract service agreements \$0.06M for a net unfavourable variance of (\$0.13M). For comparison, the March 2015 year-to-date net variance was unfavourable (\$0.34M).

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

Grants & Subsidy Revenues (Actual \$0.40M – Budget \$0.33M = Variance \$0.07M)

The YTD budget includes provincial and federal grants of \$0.33M. The favourable variance of \$0.07M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$1.51M – Budget \$1.49M = Variance \$0.02M)

The favourable variance of \$0.02M resulted primarily from financial services administrative and legal fees from subdivision and site-plan agreements totaling \$0.18M partially offset by other items from various departments less than (\$0.05M) each.

PERSONNEL EXPENDITURES

At the end of March, personnel expenditures were favourable by \$0.49M, 98.3% of budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$27.82 M	\$28.44 M	\$0.62 M
Overtime and other personnel costs	\$0.66 M	\$0.53 M	(\$0.13 M)
Total	\$28.48 M	\$28.97 M	\$0.49 M

At the end of March, there were 57 net temporary vacancies (of which 9 were vacancies from approved leaves of absence and secondments) and a year-to-date average of 53 net temporary vacancies resulting in a favourable variance of \$1.03M. This was offset by full year budgeted salary gapping of (\$0.46M). Part-time salaries were favourable by \$0.05M netting a favourable variance of \$0.62M.

Overtime and other personnel costs were unfavourable by (\$0.13M) mainly due to coverage for absences in the Fire Department (\$0.13M) (offset by a corresponding favourable full-time variance of \$0.34M).

NON-PERSONNEL EXPENDITURES

At the end of March, non personnel expenditures were favourable by \$0.82M (97.3% of budget):

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 0.91 M	\$ 1.14 M	\$ 0.23 M
Purchased Services	\$ 7.59 M	\$ 8.09 M	\$ 0.50 M
Transfers to Reserves	\$ 20.77 M	\$ 20.85 M	\$ 0.08 M
Other Expenditures	\$ 0.51 M	\$ 0.52 M	\$ 0.01 M
Total	\$ 29.78 M	\$ 30.60 M	\$ 0.82 M

Materials & Supplies (Actual \$0.91M – Budget \$1.14M = Variance \$0.23M)

Materials & supplies YTD budget of \$1.14M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.48M), vehicle supplies such as fuel and repair parts (budget \$0.37M), and printing and office supplies (budget \$0.14M).

The favourable variance of \$0.23M is primarily due to operating materials and supplies (eg. Uniforms and program expenses) \$0.09M, fuel (gas and diesel) \$0.08M (volume \$0.02M and price \$0.06M) and printing and office supplies \$0.07M.

Purchased Services (Actual \$7.59M – Budget \$8.09M = Variance \$0.50M)

Purchased services YTD budget of \$8.09M includes utilities and streetlight hydro (budget \$2.53M), waste collection (budget \$2.27M), insurance (\$1.58M) and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.67M).

Purchased Services were favourable \$0.28M mainly due to:

- \$0.13M favourable in professional fees, training, and travel (excl. office supplies of \$0.07M which is included under Materials & Supplies)
- \$0.10M favourable in maintenance and repairs (utility locates, facility maintenance)
- \$0.08M favourable in contract service agreements
- \$0.07M favourable due to communications such as telephone data charges and services

Transfers to Reserves (Actual \$20.77M – Budget \$20.85M = Variance \$0.08M)

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

Other Expenditures (Actual \$0.51M – Budget \$0.52M = Variance \$0.01M)

Other expenditures YTD budget of \$0.52M includes non-personnel ramp ups (\$0.35M) and property tax adjustments and property vacancy rebates (budget \$0.07M).

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month and provide a year-end projection (including year-end accounting adjustments and other accruals) as part of the June 2016 year-to-date review of operations to be brought forward to General Committee in September 2016.

RECOMMENDED

5/11/2016

11/05/2016

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Joel Lustig
Treasurer

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Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 11:](#)

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

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

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

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

Appendix 5 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2016

Appendix 6 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2016

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2016 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2016 – Community and Fire Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2016 – Corporate Services

Appendix 10 – Variances by Commission and Department for the three months ended March 31, 2016 – Development Services

Appendix 11 – Variances by Commission and Department for the three months ended March 31, 2016 – Corporate Items