



Report to: General Committee

Date Report Authored: February 29, 2016

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**SUBJECT:** 2015 Year-End Review of Operations  
**PREPARED BY:** Andrea Tang, Senior Manager of Financial Planning

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**RECOMMENDATION:**

- 1) THAT the report entitled “2015 Year-End Review of Operations” be received;
- 2) THAT the City’s 2015 net favourable variance of \$3.28M be transferred to the Corporate Rate Stabilization Reserve as per the following breakdown:

a. City’s day-to-day operating surplus	\$4.47M
b. Year-end accounting accruals and other adjustments	(\$1.87M)
c. Winter maintenance favourable variance	<u>\$0.68M</u>
<b>Total</b>	<b><u>\$3.28M</u></b>
- 3) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**EXECUTIVE SUMMARY:**

Council approved the 2015 annual operating budget of \$324.33M on March 31, 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 financial results for the twelve months ended December 31, 2015.

**Primary Operating Budget (Appendix 1)**

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

The 2015 total results of operations incurred a net surplus of \$3.28M and the breakdown is shown on the next page:

(\$ in millions)	Year-End Dec. 2015		Variance
	Actual	Budget	fav./(unfav.)
<b>Revenues</b>	<b>200.77</b>	<b>199.12</b>	<b>1.65</b>
<b>Expenses</b>			
Personnel Expenses	112.94	115.16	2.22
Non-Personnel Expenses	<u>74.08</u>	<u>74.68</u>	<u>0.60</u>
<b>Total Expenses</b>	<b>187.02</b>	<b>189.84</b>	<b>2.82</b>
Year-End Accounting Accruals & Other Adjustments	<u>2.56</u>	<u>0.69</u>	<u>(1.87)</u>
<b>Surplus excluding winter maintenance</b>	<b>11.19</b>	<b>8.59</b>	<b>2.60</b>
Winter Maintenance	<u>7.91</u>	<u>8.59</u>	<u>0.68</u>
<b>Net surplus including winter maintenance</b>	<b><u>3.28</u></b>	<b><u>0.00</u></b>	<b><u>3.28</u></b>

**City's Surplus before Year-End Accounting Accruals and Other Adjustments and Winter Maintenance**

**City's surplus before Year-End Accounting Accruals and Other Adjustments and Winter Maintenance = Favourable variance \$4.47M (Revenue \$1.65M + Expenses \$2.82M)**

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Federal and Provincial grants	0.90	M	Salaries & benefits	2.22	M
Culture revenues (Theatre ticket sales, technical support services and rental, Art Centres and Museum registration fees)	0.37	M	Corporate contingency	1.15	M
Finance user fees	0.33	M	Transfer to reserves	1.01	M
Supplemental property taxes	0.29	M	Professional services/ office supplies/ training/ travel	0.53	M
Legislative Services revenues (licences & permits, parking violations)	0.27	M	Contract service agreements	0.48	M
Recreation revenue	(0.66)	M	Waste collection	0.32	M
			Fuel (Gas & Diesel)	0.22	M
			Credit card charges	(0.14)	M
			Theatre professional entertainment artist fees	(0.16)	M
			Traffic signal maintenance	(0.24)	M
			Building and facility maintenance	(0.25)	M
			Property tax adjustments	(0.76)	M
			Utilities	(1.11)	M
Other	0.15	M	Other	(0.45)	M
<b>Total</b>	<b>1.65</b>	<b>M</b>	<b>Total</b>	<b>2.82</b>	<b>M</b>

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**Year-End Accounting Accruals and Other Adjustments**

<b>Year-end accounting accruals and other adjustments = Unfavourable variance (\$1.87M)</b>
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The 2015 year-end accounting accruals and other adjustments totaled \$2.56M against a budget of \$0.69M for an unfavourable variance of (\$1.87M). They include severance and salary continuance payments, post retirement benefits and the Firefighter sick leave plan.

**Winter Maintenance**

<b>Winter maintenance = Favourable variance \$0.68M</b>
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The 2015 actual winter maintenance net expenditures were \$7.91M against a budget of \$8.59M, resulting in a favourable variance of \$0.68M.

In 2014, the winter maintenance expenditures were unfavourable by (\$2.33M) (Actual \$9.31M, Budget \$6.98M).

**Planning & Design (Appendix 3)**

<b>Actual (\$0.31M) – Budget (\$0.96M) = Favourable variance \$0.65M</b>
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In 2015, Planning & Design incurred a deficit of (\$0.31M) against a budgeted deficit of (\$0.96M). The favourable variance of \$0.65M was mainly due to lower personnel costs of \$0.58M from a full year average of 6 temporary net vacancies (six temporary net vacancies as of December 31).

**Engineering (Appendix 4)**

<b>Actual (\$0.86M) – Budget (\$1.47M) = Favourable variance \$0.61M</b>
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In 2015, Engineering incurred a deficit of (\$0.86M) against a budgeted deficit of (\$1.47M). The favourable variance of \$0.61M was mainly due to higher than budgeted Engineering fees.

**Planning & Engineering Development Fee Reserve (Appendix 5)**

The 2015 budget anticipated a deficit of (\$0.96M) for Planning and a deficit of (\$1.47M) for Engineering totaling (\$2.43M).

The Planning & Design and Engineering departments ended the year with a total deficit of (\$1.17M) (Planning deficit of (\$0.31M) and Engineering deficit of (\$0.86M)). In order to balance the 2015 budget, a draw of (\$1.17M) will be made from the Reserve. The Reserve has a deficit balance of (\$10.67M) at year-end.

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**Building Standards (Appendix 6)**

<b>Actual (\$1.85M) – Budget (\$1.46M) = Unfavourable variance (\$0.39M)</b>
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In 2015, the Building Standards department incurred a deficit of (\$1.85M) against a budgeted deficit of (\$1.46M). The unfavourable variance of (\$0.39M) was mainly due to a lower number of building permits issued, partially offset by lower personnel costs from a full year average of 6 temporary net vacancies (four temporary net vacancies as of December 31).

In order to balance the 2015 budget, a draw of (\$1.85M) will be made from the Reserve, leaving a surplus Reserve balance of \$9.63M (see Appendix 7).

**Waterworks (Appendix 8)**

<b>Actual \$12.97M – Budget \$13.60M = Unfavourable variance (\$0.63M)</b>
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The Waterworks department incurred a surplus of \$12.97M against a budgeted surplus of \$13.60M in 2015. The main drivers for the unfavourable variance of (\$0.63M) were as follows:

- Higher purchases due to higher than budgeted water sales and higher non-revenue water, actual non-revenue water (NRW) for 2015 was 11.8% compared to a budget of 11% resulting in an unfavourable “net sales and purchases” variance of (\$0.91M); offset by:
- Lower personnel costs resulting in a favourable variance of \$0.06M
- Lower non-personnel costs resulting in a favourable variance of \$0.25M due to lower operating and construction materials and supplies costs.

At the time of the 2015 budget approval, the budgeted surplus of \$13.60M was transferred to the reserve. A draw of (\$0.63M) from the reserve will be made to reflect the actual surplus of \$12.97M.

The Waterworks reserve has a year-end balance of \$43.67M and details of the transactions are summarized in Appendix 9.

**PURPOSE:**

To report on the year-end actual 2015 operating budget results versus the budgeted 2015 operating budget.

**BACKGROUND:**

Council approved the 2015 annual operating budget of \$324.33M on March 31, 2015 which includes the City’s primary operating budget, Library operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and

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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.

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 twelve months ended December 31, 2015 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 10 to 13.

The following table is a summary of all commissions' year-end December results including year-end accounting accruals and other adjustments, and excluding winter maintenance:

<b><u>Commission</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b><u>Variance</u></b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
CAO's Office, Human Resources, Legal and Sustainability Office	5.40	5.96	0.56
Community & Fire Services (excl. winter maintenance)	92.33	93.43	1.10
Corporate Services	14.81	16.34	1.53
Development Services	2.60	2.74	0.14
Corporate Items	(126.33)	(127.06)	(0.73)
<b><u>Net Expense/ (Revenue)</u></b>	<b><u>(11.19)</u></b>	<b><u>(8.59)</u></b>	<b><u>2.60</u></b>

Explanations for variances greater than \$0.10M by each Commission and Department are provided below.

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

<b><u>Department</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
CAO's Office	0.86	0.91	0.05
Human Resources	2.97	3.17	0.20
Legal	1.32	1.53	0.21
Sustainability Office	0.25	0.35	0.10
<b>Net Expense</b>	<b>5.40</b>	<b>5.96</b>	<b>0.56</b>

**Human Resources** (Actual \$2.97M – Budget \$3.17M = Variance \$0.20M)

Favourable variance mainly due to a full year average of two temporary net vacancies \$0.17M (two temporary net vacancies as of December 31).

**Legal** (Actual \$1.32M – Budget \$1.53M = Variance \$0.21M)

Favourable variance mainly due to a full year average of one temporary net vacancy \$0.11M (two temporary net vacancies as of December 31) and external legal services \$0.05M.

**Sustainability Office** (Actual \$0.25M – Budget \$0.35M = Variance \$0.10M)

Favourable variance mainly due to a full year average of two temporary net vacancies \$0.10M (two temporary net vacancies as of December 31).

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

<b><u>Department</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Arts Centre	0.61	0.64	0.03
Museum	0.67	0.67	0.00
Theatre	0.56	0.61	0.05
Culture Admin	0.49	0.49	0.00
Operations	19.05	19.83	0.78
Asset Management	7.74	8.08	0.34
Fire Services	33.64	33.53	(0.11)
Library	10.64	10.73	0.09
Recreation Services	10.65	9.99	(0.66)
Waste	7.50	8.04	0.54
Commissioner's Office	0.78	0.82	0.04
<b>Net Expense</b>	<b>92.33</b>	<b>93.43</b>	<b>1.10</b>

**Operations** (Actual \$19.05M – Budget \$19.83M = Variance \$0.78M)

Favourable variance mainly due to a full year average of ten temporary net vacancies totalling \$0.67M (nine temporary net vacancies as of December 31)

**Asset Management** (Actual \$7.74M – Budget \$8.08M = Variance \$0.34M)

Favourable variance mainly due to lower personnel costs from a full year average of three temporary net vacancies \$0.19M (three temporary net vacancies as of December 31) and contracted service agreements for security and janitorial services totalling \$0.10M.

**Fire Services** (Actual \$33.64M – Budget \$33.53M = Variance (\$0.11M))

Unfavourable variance mainly due to higher overtime costs (\$0.80M) to cover for absences, partially offset by a favourable full-time variance of \$0.63M for a net of (\$0.17M).

**Recreation Services** (Actual \$10.65M – Budget \$9.99M = Variance (\$0.66M), excluding the cost of hosting the Pan Am Games the unfavourable variance was (\$0.49M))

The Recreation Department experienced significant improvement in participation and revenues in 2015 when compared to 2014. Excluding the annual CPI increase, aquatic programs revenue grew by 10%; programs by 7%; camps by 19% and fitness by 2%. This translated into an overall revenue increase of \$1.10M or 6% (\$0.75M or 4% excluding Pan Am).

However, the Department concluded the year with an unfavourable variance of (\$0.49M) excluding the cost to host the Pan Am Games. Main drivers were unfavourability in non-personnel expenses of (\$0.44M) due to utilities (\$0.33M) and facility maintenance (\$0.14M) (from unplanned repairs at Angus Glen and Centennial Community Centres). Revenues were also unfavourable by (\$0.66M) mainly in facility hall and gym rentals at the Pan Am Centre, Thornhill and Cornell Community Centres (\$0.34M), fitness, from lower membership renewals and drop-ins (\$0.25M) and programs due to lower registration and drop ins (\$0.17M). This is offset by favourable personnel of \$0.44M due to an average of 2 temporary net vacancies and part time savings.

**Waste** (Actual \$7.50M – Budget \$8.04M = Variance \$0.54M)

Favourable variance mainly due to lower than budgeted waste tonnage of \$0.32M and additional Waste Diversion Ontario grant of \$0.21M. The 2016 Budget has been increased to reflect the revised WDO grant total.

**Corporate Services (Appendix 12)**

<b><u>Department</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b><u>Variance</u></b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Legislative Services	3.19	3.19	0.00
Financial Services	3.50	4.38	0.88
ITS	6.36	6.88	0.52
Corp. Communications & Community Engagement	1.39	1.50	0.11
Commissioner's Office	0.37	0.39	0.02
<b><u>Net Expense</u></b>	<b><u>14.81</u></b>	<b><u>16.34</u></b>	<b><u>1.53</u></b>

**Financial Services** (Actual \$3.50M – Budget \$4.38M = Variance \$0.88M)

Favourable variance mainly due to a full year average of five temporary net vacancies totaling \$0.46M (one temporary net vacancy as of December 31) and additional revenues in

new property tax account setup fee, tax certificates, and ownership changes totalling \$0.33M.

**ITS** (Actual \$6.36M – Budget \$6.88M = Variance \$0.52M)

Favourable variance mainly due to a full year average of three temporary net vacancies totaling \$0.23M (three temporary net vacancies as of December 31), hardware and software agreements \$0.13M and telephone services \$0.11M.

### **Development Services (Appendix 13)**

<b><u>Department</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Economic Development	1.46	1.54	0.08
Commissioner's Office	1.14	1.20	0.06
<b>Net Expense</b>	<b>2.60</b>	<b>2.74</b>	<b>0.14</b>

There were no variances greater than \$0.10M.

### **Corporate Items**

<b><u>Department</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
Corporate Items	(126.33)	(127.06)	(0.73)
<b>Net Revenue</b>	<b>(126.33)</b>	<b>(127.06)</b>	<b>(0.73)</b>

Unfavourable variance due to year-end accounting accruals and other adjustments (\$1.87M) and property tax adjustments (\$0.76M) partially offset by one-time favourable variances in corporate contingency of \$1.15M, one-time savings from unspent 2015 operating non-life cycle capital projects of \$0.50M and supplemental taxes of \$0.29M.

## **2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS (excl. year-end accounting accruals and other adjustments and winter maintenance)**

<b><u>(\$ in millions)</u></b>	<b><u>Year-End Dec. 2015</u></b>		<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>fav./(unfav.)</u></b>
<b>Revenues</b>	<b>200.77</b>	<b>199.12</b>	<b>1.65</b>
<b>Expenses</b>			
Personnel Expenses	112.94	115.16	2.22
Non-Personnel Expenses	<u>74.08</u>	<u>74.68</u>	<u>0.60</u>
<b>Total Expenses</b>	<b>187.02</b>	<b>189.84</b>	<b>2.82</b>

At the end of 2015 the actual operating results, excluding year-end accounting accruals and other adjustments and winter maintenance, against budget netted a favourable variance of \$4.47M (revenue of \$1.65M + expenses of \$2.82M) and the breakdown is as follows:



## **REVENUES**

In 2015, revenues totalled \$200.77M against a budget of \$199.12M resulting in a favourable variance of \$1.65M (100.8% of budget).

<b>Revenues</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Property Taxation Revenues	\$ 138.29 M	\$ 138.00 M	\$ 0.29 M
General Revenues	\$ 30.78 M	\$ 30.49 M	\$ 0.29 M
User Fees & Service Charges	\$ 24.20 M	\$ 24.29 M	(\$ 0.09 M)
Grant & Subsidy Revenues	\$ 2.50 M	\$ 1.51 M	\$ 0.99 M
Other Income	\$ 5.00 M	\$ 4.83 M	\$ 0.17 M
<b>Net Variance</b>	<b>\$ 200.77 M</b>	<b>\$ 199.12 M</b>	<b>\$ 1.65 M</b>

**Property Taxation Revenues** (Actual \$138.29M – Budget \$138.00M= Variance \$0.29M)  
Property taxation revenue includes property taxes (budget \$136.79M) and payments-in-lieu of taxes (budget \$1.21M). The favourable variance of \$0.29M is due to additional supplemental taxes. Supplemental assessment represents new properties that are completed each year, which generate new assessment and tax dollars for the City. Supplemental assessment is included as assessment growth for the following year.

**General Revenues** (Actual \$30.78M – Budget \$30.49M = Variance \$0.29M)  
The general revenues budget includes investment income (budget \$10.35M), interest and penalties on property taxes (budget \$3.50M), parking fines (budget \$2.46M ), and business, taxi, marriage and other licences (budget \$1.67M).

General revenues also include PowerStream interest and dividends (budget \$12.42M) 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 income and dividends.

General revenues totalled \$30.78M at the end of December against a budget of \$30.49M. The main driver for the favourable variance of \$0.29M was due to licences (business and marriage) and permits \$0.15M and parking violations of \$0.12M.

**User Fees and Service Charges** (Actual \$24.20M – Budget \$24.29M= Variance (\$0.09M))  
The user fees and services charges budget of \$24.29M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fee, ownership change administrative fees and utility permit fees (budget \$16.59M), and facility rentals for arenas, pools, gym and halls (budget \$7.70M).

User fees and service charges were unfavourable by (\$0.09M), the main drivers of which were:

### **Recreation**

Recreation revenues were unfavourable by (\$0.66M) (actual \$18.27M, budget \$18.93M) mainly in facility hall and gym rentals at Pan Am Centre, Thornhill and Cornell Community

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Centres (\$0.34M), fitness from lower membership renewals and drop-ins (\$0.25M) and programs due to lower registration and drop ins (\$0.17M), offset by a favourable variance in camps from an additional week in the 2015 calendar year \$0.14M.

The unfavourable variance in revenues when combined with a favourable variance in personnel of \$0.44M (due to vacancies and part time savings) and an unfavourable variance in non-personnel of (\$0.44M) from utilities (\$0.33M) and facility maintenance (\$0.14M) (due to unplanned repairs at Angus Glen and Centennial) results in a net unfavourable variance of (\$0.66M).

Library user fees were unfavourable (\$0.10M) due to fines and fees (\$0.06M) and programs (\$0.04M).

There were favourable variances in Theatre, Arts Centre, Museum of \$0.37M and Finance user fees of \$0.33M which partially offset the above unfavourable variances.

#### Theatre

Theatre revenues were favourable by \$0.25M (actual \$2.43M, budget \$2.18M) primarily due to higher ticket sales in the professional entertainment series and technical support services totalling \$0.15M and higher program registration \$0.06M.

The favourable variance in revenues and personnel is partially offset by higher non-personnel costs resulting in a net favourable variance of \$0.05M.

Other favourable variances in user fees and service charges include: Financial services fees such as new tax account setup fee, tax certificates, and ownership changes totalling \$0.33M and Arts Centre & Museum program registration fees \$0.12M.

#### **Grants & Subsidy Revenues** (Actual \$2.50M – Budget \$1.51M = Variance \$0.99M)

The budget includes Federal and Provincial grants of \$1.51M. The favourable variance of \$0.99M resulted from the receipt of one-time federal and provincial grants including \$0.54M for the 2013 ice storm related costs and additional Waste Diversion Ontario grant of \$0.21M (the 2016 Budget has been increased to reflect the revised WDO grant total).

The total ice storm related costs were \$10.00M, and the City submitted claims of \$7.09M to the Government of Ontario under the Ice Storm Assistance Program. The remaining costs of \$2.91M were deemed ineligible based on the guidelines issued by the Government of Ontario, majority of which relates to tree canopy and tree replacement costs.

In 2014, the City set up a receivable of \$5.60M or 79% of the claim. The City received \$6.14M of 87% of the claim. The difference between the amount received and the receivable accrued in 2014 of \$0.54M (\$6.14M - \$5.60M) has been incorporated into the 2015 results of operations.

**Other Income** (Actual \$5.00M – Budget \$4.83M = Variance \$0.17M)

The favourable variance of \$0.17M resulted primarily from sportsfield hydro recoveries and rentals of \$0.07M, financial services administrative and legal fees from subdivision and site-plan agreements totaling \$0.06M.

**PERSONNEL EXPENDITURES**

In 2015, personnel expenditures were favourable by \$2.22M, 98.1% of budget.

<b>Personnel</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Full time net of vacancy backfills and part time salaries	\$110.40 M	\$113.54 M	\$3.14 M
Overtime and other personnel costs	\$2.54 M	\$1.62 M	(\$0.92 M)
<b>Total</b>	<b>\$112.94 M</b>	<b>\$115.16 M</b>	<b>\$2.22 M</b>

At the end of December, there were 54 net temporary vacancies (of which 12 were vacancies from approved leaves of absence and secondments) and a full year average 51 net temporary vacancies resulting in a favourable variance of \$3.96M. This was offset by full year budgeted salary gapping of (\$0.46M) and an unfavourable variance of (\$0.36M) in part-time salaries (with partial offset in revenues \$0.33M) netting a favourable variance of \$3.14M.

Overtime and other personnel costs were unfavourable by (\$0.92M) mainly due to coverage for absences in the Fire Department (\$0.78M) (offset by a corresponding favourable full-time variance of \$0.63M).

**NON-PERSONNEL EXPENDITURES**

In 2015, non personnel expenditures were favourable by \$0.60M (99.2% of budget):

<b>Non Personnel Items</b>	<b>Actual</b>	<b>Budget</b>	<b>Fav./(Unfav.)</b>
Materials & Supplies	\$ 6.93 M	\$ 7.19 M	\$ 0.26 M
Purchased Services	\$ 32.83 M	\$ 32.11 M	(\$ 0.72 M)
Transfers to Reserves	\$ 31.21 M	\$ 31.96 M	\$ 0.75 M
Other Expenditures	\$ 3.11 M	\$ 3.42 M	\$ 0.31 M
<b>Total</b>	<b>\$ 74.08 M</b>	<b>\$ 74.68 M</b>	<b>\$ 0.60 M</b>

**Materials & Supplies** (Actual \$6.93M – Budget \$7.19M = Variance \$0.26M)

Materials & supplies budget of \$7.19M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$4.24M), vehicle supplies such as fuel and repair parts (budget \$1.78M), and printing and office supplies (budget \$0.59M).

The favourable variance of \$0.26M is mainly due to fuel (gas and diesel) of \$0.22M (price \$0.21M and volume \$0.01M) and printing and office supplies of \$0.11M. The fuel budget has been reduced in the 2016 Budget.

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**Purchased Services** (Actual \$32.83M – Budget \$32.11M = Variance (\$0.72M))

Purchased services budget of \$32.11M includes contract service agreements such as facility maintenance, computer hardware and software agreements/licences, and asphalt repairs (budget \$12.39M), waste collection (budget \$8.23M), utilities (budget \$6.56M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$2.66M) and insurance (budget \$2.27M).

Purchased services were unfavourable (\$0.72M) mainly due to:

Utilities had an unfavourable variance of (\$1.11M) which is broken down by the following items:

- Hydro was unfavourable by (\$0.93M) driven by volume (\$0.80M) and price (\$0.13M). A further breakdown of the volume unfavourable variance is as follows:
  - The 2015 budget included insufficient budget for the following facilities: Civic Centre (\$0.18M), Cornell CC&L (\$0.15M), 8100 Warden Ave (\$0.08M) totaling (\$0.41M)
  - The budget for Pan Am was developed based on the budget for Cornell Community Centre & Library. However, the actual costs are higher due to the different amenities at these facilities resulting in an unfavourable variance of (\$0.22M).

The unfavourable variance in utilities has been addressed in the 2016 Budget.

Other unfavourable variances were building and facility maintenance (\$0.25M), traffic maintenance (\$0.24M), Theatre professional entertainment artist fees (offsets in revenue) totaling (\$0.16M) and credit card charges (\$0.14M) (budget has been increased in the 2016 Budget).

This is partially offset by:

- \$0.42M favourable in professional fees, training, and travel (excl. office supplies of \$0.11M which is included under Materials & Supplies)
- \$0.32M favourable in waste collection (this has been adjusted in the 2016 Budget)
- \$0.24M favourable in contract service agreements

**Transfers to Reserves** (Actual \$31.21M – Budget \$31.96M = Variance \$0.75M)

The majority of funds are transferred to the Life Cycle Replacement and Capital Reserve Fund. The favourable variance of \$0.75M was mainly due to one-time savings from unspent 2015 operating non-life cycle capital projects of \$0.50M.

**Other Expenditures** (Actual \$3.11M – Budget \$3.42M = Variance \$0.31M)

Other expenditures budget of \$3.42M includes corporate contingency (budget \$1.22), property tax adjustments and property vacancy rebates (budget \$0.85M) and Celebrate Markham grants (budget \$0.37M).

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Other expenditures were favourable \$0.31M at the end of December due to favourable variance in corporate contingency of \$1.15M mainly offset by property tax adjustments (\$0.76M) 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 reports.

**Summary of One-Time Items**

As mentioned throughout the report, there are several one-time items affecting the City's 2015 results of operations. These items are either one-time revenues or expenses in 2015. In some cases, budgets have been adjusted in 2016 where needed. They have been summarized below:

- \$1.15M favourable for corporate contingency
- (\$1.11M) unfavourable in utilities (adjusted in the 2016 Budget)
- \$0.68M favourable variance related to winter maintenance costs (one-time savings)
- \$0.54M favourable for the 2013 ice storm related costs (one-time additional revenue)
- \$0.50M favourable savings from unspent 2015 operating non-life cycle capital projects (one-time savings)
- \$0.32M favourable in waste collection (one-time savings, adjusted in the 2016 Budget)
- \$0.22M favourable in fuel (one-time savings, adjusted in the 2016 Budget)
- \$0.21M additional Waste Diversion Ontario grant (adjusted in the 2016 Budget)
- (\$0.14M) unfavourable for credit card charges (adjusted in the 2016 Budget)

Total: \$2.37M favourable variance

After adjusting for the above items, the City's results of operations including year-end accounting accruals and other adjustments and winter maintenance would have incurred a surplus of approximately \$0.90M (\$3.28M - \$2.37M).

**FINANCIAL CONSIDERATIONS:**

The 2015 draft consolidated financial statements will be presented to General Committee in April 2016. The year-end results presented in this report are subject to change based on the results of the external audit.

**RECOMMENDED**

23/02/2016

**X**

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Joel Lustig  
Treasurer

23/02/2016

**X**

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Trinela Cane  
Commissioner, Corporate Services

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**ATTACHMENTS:**

**[Appendices 1 to 13:](#)**

Appendix 1 – Primary Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 2 – Library Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 4 – Engineering Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at December 31, 2015

Appendix 6 – Building Standards Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 7 – Building Fee Reserve Balance as at December 31, 2015

Appendix 8 – Waterworks Operating Budget - Financial Results for the Twelve Months Ended December 31, 2015

Appendix 9 – Waterworks Reserve Balance as at December 31, 2015

Appendix 10 – Variances by Commission and Department for the twelve months ended December 31, 2015 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the twelve months ended December 31, 2015 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the twelve months ended December 31, 2015 – Corporate Services

Appendix 13 – Variances by Commission and Department for the twelve months ended December 31, 2015 – Development Services