



Report to: General Committee

Date Report Authored: November 9, 2015

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**SUBJECT:** 2015 September Year-To-Date Review of Operations and Year End Projection

**PREPARED BY:** Andrea Tang, Manager of Financial Planning

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**RECOMMENDATION:**

- 1) THAT the report entitled “2015 September Year-To-Date Review of Operations and Year End Projection” be received.

**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 year-to-date actual operating budget results versus the calendarized 2015 operating budget as of September 30, 2015, 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 year-to-date September results (January 1 to September 30).

**Surplus (incl. winter maintenance): Actual \$28.90M – Budget \$26.72M  
= Favourable variance \$2.18M**

City operations YTD September surplus, excluding winter maintenance, was \$35.66M against a budget of \$33.20M, resulting in a favourable variance of \$2.46M. As noted above the net City operations, including winter maintenance, incurred a favourable variance of \$2.18M.

| (\$ in millions)                                | <u>YTD Sept. 2015</u> |                      | <u>Variance</u>      |
|---|-----------------------|----------------------|----------------------|
|   | <u>Actual</u>         | <u>Budget</u>        | <u>fav./(unfav.)</u> |
| <b>Revenues</b>                                 | <b>186.83</b>         | <b>185.46</b>        | <b>1.37</b>          |
| <b>Expenses</b>                                 |                       |                      |                      |
| Personnel Expenses                              | 83.51                 | 84.82                | 1.31                 |
| Non-Personnel Expenses                          | <u>67.66</u>          | <u>67.44</u>         | <u>(0.22)</u>        |
| <b>Total Expenses</b>                           | <b><u>151.17</u></b>  | <b><u>152.26</u></b> | <b><u>1.09</u></b>   |
| <b>Surplus excluding winter maintenance</b>     | <b>35.66</b>          | <b>33.20</b>         | <b>2.46</b>          |
| Winter Maintenance                              | <u>6.76</u>           | <u>6.48</u>          | <u>(0.28)</u>        |
| <b>Net surplus including winter maintenance</b> | <b><u>28.90</u></b>   | <b><u>26.72</u></b>  | <b><u>2.18</u></b>   |

**City's Surplus excluding winter maintenance****City's surplus excluding winter maintenance = Favourable variance \$2.46M**

The major variances are outlined in the chart below:

| <b>Revenues</b>  | <b>Fav. / (Unfav.)</b> |          | <b>Expenditures</b>                                      | <b>Fav. / (Unfav.)</b> |          |
|--|------------------------|----------|--|------------------------|----------|
| Culture revenues (Theatre ticket sales, technical support services and rental, Art Centres and Museum registration fees) | 0.31                   | M        | Salaries & benefits cost                                 | 1.31                   | M        |
| Federal and Provincial grants  | 0.22                   | M        | Professional services/ office supplies/ training/ travel | 0.44                   | M        |
| Legislative Services revenues (Licences & Permits, parking violations)   | 0.20                   | M        | Waste collection   | 0.28                   | M        |
| Sportsfield hydro recovery & rentals   | 0.12                   | M        | Fuel (Gas & Diesel)                                      | 0.17                   | M        |
| Finance user fees  | 0.11                   | M        | Contract Service Agreements                              | 0.17                   | M        |
| Financial services admin fees & Legal fees   | 0.10                   | M        | Theatre professional entertainment fees                  | (0.12)                 | M        |
| Recreation revenue   | (0.20)                 | M        | Property tax adjustments                                 | (0.25)                 | M        |
|  |                        |          | Utilities & streetlight hydro                            | (0.79)                 | M        |
| Other  | 0.51                   | M        | Other  | (0.12)                 | M        |
| <b>Total</b>   | <b>1.37</b>            | <b>M</b> | <b>Total</b>   | <b>1.09</b>            | <b>M</b> |

**Winter Maintenance****Winter maintenance = Unfavourable variance (\$0.28M)**

The 2015 actual winter maintenance expenditures at the end of the September totaled \$6.76M against a budget of \$6.48M, resulting in an unfavourable variance of (\$0.28M).

In 2014, the winter maintenance expenditures were unfavourable by (\$2.38M) (Actual \$7.97M, Budget \$5.59M) for the same period.

**Year-End Projection including year-end accounting accruals and other adjustments**

|  | <b>Projected Year-End Variance</b> |
|--|------------------------------------|
|  | <b>Fav./ (Unfav.)</b>              |
| Personnel expenditures                             | \$2.20M                            |
| Non-personnel expenditures                         | \$0.70M                            |
| Revenue  | \$0.90M                            |
| Year-end accounting accruals and other adjustments | (\$1.60M)                          |
| <b>Total</b>                                       | <b>\$2.20M</b>                     |
| Winter maintenance unfavourable variance           | <u>(\$0.90M) to (\$0.35M)</u>      |
| <b>Surplus</b>                                     | <b>\$1.30M to \$1.85M</b>          |

Based on the September year-to-date results, Staff is projecting a favourable year-end variance (including year-end accounting accruals and other adjustments, and excluding winter maintenance) of \$2.20M. This projection is an improvement from the July projection of favourable \$1.30M to \$2.30M. The change is primarily due to anticipated

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savings from additional vacancies as well as an improvement in Recreation revenue and higher revenues from licences and user fees.

The year-end projection includes a favourable variance in expenditures of \$2.90M, mainly due to favourable variances in net personnel costs from 50 net temporary vacancies. Other favourable variances include professional services, training, contract service agreements, operating material and supplies and corporate contingencies, offset partially by unfavourable variances in utilities, property tax adjustments, fire overtime, and Theatre professional entertainment fees.

It is projected that the year-end revenue favourable variance will be \$0.90M due to higher Theatre professional entertainment ticket sales, provincial/federal grants and various fees and fines (eg. Finance, Culture, parking fines) offset by unfavourable variance in Recreation revenue from aquatics, programs and facility rentals.

The City's year-end accounting accruals and other adjustments include Firefighters sick leave, 27<sup>th</sup> pay accrual, severance and salary continuance, and post retirement benefits. The 2015 year-end accounting accruals and other adjustments are estimated at a net cost of \$1.60M.

Winter maintenance operations is projected to have a year-end variance of (\$0.35M) to (\$0.90M), based on additional equipment for the 2015/16 winter season and winter maintenance being on budget or 25% unfavourable for the last six weeks of the year.

### **Planning & Design (Appendix 3)**

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| <b>Actual \$0.67M – Budget (\$0.95M) = Favourable variance \$1.62M</b> |
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At the end of September, the Planning department incurred a surplus of \$0.67M against a budgeted deficit of (\$0.95M). The favourable variance of \$1.62M was mainly due to higher than budgeted Planning and Design fees by \$1.09M and lower personnel costs of \$0.51M from net vacancies.

### **Year-End Projection:**

Planning & Design is projecting a year-end surplus of \$0.10M to \$0.30M compared to a budgeted deficit of (\$0.96M). This will result in a transfer to reserves of \$0.10M to \$0.30M (a favourable variance to budget of \$1.06M to \$1.26M). 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 6 net average vacancies into year-end. This projection is on target and unchanged from July's projection presented to General Committee in September.

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**Engineering (Appendix 4)**

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| <b>Actual (\$0.10M) – Budget (\$1.81M) = Favourable variance \$1.71M</b> |
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At the end of September, the Engineering department incurred a deficit of (\$0.10M) against a budgeted deficit of (\$1.81M). The favourable variance of \$1.71M was mainly due to higher than budgeted Engineering fees.

**Year-End Projection:**

Engineering is projecting a year-end deficit of (\$0.10M) to a surplus of \$0.10M compared to a budgeted deficit of (\$1.48M). This will result in a reduced draw from reserves of (\$0.10M) or a transfer to reserves of \$0.10M. The projected variances are due to a forecasted increase in the number of units registered through subdivision or site plan agreements. This projection is on target and unchanged from the July projection.

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$9.38M) to (\$8.98M) at year-end (see Appendix 5).

**Building Standards (Appendix 6)**

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| <b>Actual (\$0.74M) – Budget (\$1.49M) = Favourable variance \$0.75M</b> |
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At the end of September, the Building Standards department incurred a deficit of (\$0.74M) against a budgeted deficit of (\$1.49M). The favourable variance of \$0.75M was mainly due to a higher number of building permits being issued lower personnel costs from vacancies.

**Year-End Projection:**

Staff is projecting a year-end deficit of (\$1.40M) compared to a budgeted deficit of (\$1.46M). This will result in a reduced draw from reserves of (\$1.40M). The change is due to 6 average net full-time vacancies offset by unfavourable building permit fees. This projection is on target and unchanged from the July projection.

Based on the above year end projection in Building Services, the balance of the reserve is anticipated to be \$10.04M at year-end (see Appendix 7).

**Waterworks (Appendix 8)**

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| <b>Actual \$8.54M – Budget \$9.78M = Unfavourable variance (\$1.25M)</b> |
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At the end of September, the Waterworks department incurred a surplus of \$8.54M against a budgeted surplus of \$9.78M. The main drivers for the unfavourable variance of (\$1.25M) were as follows:

- Higher purchases due to higher than budgeted water sales and higher non-revenue water, year-to-date August average actual non-revenue water (NRW)

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was 13.8% compared to a budget of 11% resulting in an unfavourable “net sales and purchases” variance of (\$1.45M) (the 12 month rolling average NRW is 11.8%, September 2014 – August 2015); offset by:

- Lower personnel costs resulting in a favourable variance of \$0.08M due to an average of five net vacancies;
- Lower non-personnel costs resulting in a favourable variance of \$0.12M due to lower operating and construction materials and supplies costs.

**Year-End Projection:**

Upon budget approval, the budgeted surplus of \$13.60M was transferred to the Waterworks reserve. Based on the September year-to-date results, Waterworks is projecting a year end surplus in the range of \$12.10M to \$12.60M. This will result in a draw from reserve in the range of (\$1.00M) to (\$1.50M). This projection is on target and unchanged from the July projection.

The Waterworks reserve balance is projected to be between \$41.58M and \$42.08M at year-end (see Appendix 9).

**PURPOSE:**

To report on the year-to-date actual 2015 operating budget results versus the budgeted 2015 operating budget as at September 30, 2015, and to provide year-end projections against the annual budgets.

**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 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.

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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, 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-to-date September results:

| <b><u>Commission</u></b>                                       | <b><u>YTD Sept. 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 | 4.01                         | 4.28                 | 0.27                        |
| Community & Fire Services (excl. winter maintenance)           | 67.29                        | 68.38                | 1.09                        |
| Corporate Services   | 10.76                        | 11.69                | 0.93                        |
| Development Services   | 1.96                         | 2.06                 | 0.10                        |
| Corporate Items  | (119.68)                     | (119.61)             | 0.07                        |
| <b>Net Expense/ (Revenue)</b>                                  | <b>(35.66)</b>               | <b>(33.20)</b>       | <b>2.46</b>                 |

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)**

| <b><u>Department</u></b> | <b><u>YTD Sept. 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             | 0.62                         | 0.66                 | 0.04                        |
| Human Resources          | 2.20                         | 2.24                 | 0.04                        |
| Legal                    | 1.02                         | 1.08                 | 0.06                        |
| Sustainability Office    | 0.17                         | 0.30                 | 0.13                        |
| <b>Net Expense</b>       | <b>4.01</b>                  | <b>4.28</b>          | <b>0.27</b>                 |

**Sustainability Office** (Actual \$0.17M – Budget \$0.30M = Variance \$0.13M)

Favourable variance mainly due to a year-to-date average of two temporary net vacancies \$0.10M.

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


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| <u>Department</u>     | <u>YTD Sept. 2015</u> |               | <u>Variance</u>      |
|-----------------------|-----------------------|---------------|----------------------|
|                       | <u>Actual</u>         | <u>Budget</u> | <u>fav./(unfav.)</u> |
| Arts Centre           | 0.46                  | 0.43          | (0.03)               |
| Museum                | 0.45                  | 0.44          | (0.01)               |
| Theatre               | 0.43                  | 0.54          | 0.11                 |
| Culture Admin         | 0.33                  | 0.33          | 0.00                 |
| Operations            | 14.45                 | 15.04         | 0.59                 |
| Asset Management      | 5.84                  | 6.12          | 0.28                 |
| Fire Services         | 24.66                 | 24.48         | (0.18)               |
| Library               | 8.01                  | 8.16          | 0.15                 |
| Recreation Services   | 6.60                  | 6.54          | (0.06)               |
| Waste                 | 5.49                  | 5.73          | 0.24                 |
| Commissioner's Office | 0.57                  | 0.57          | 0.00                 |
| <b>Net Expense</b>    | <b>67.29</b>          | <b>68.38</b>  | <b>1.09</b>          |

**Theatre** (Actual \$0.43M – Budget \$0.54M = Variance \$0.11M)

Favourable variance was primarily due to higher ticket sales in the professional entertainment series and technical support services totalling \$0.13M and higher program registration \$0.06M offset by higher professional entertainment fees (\$0.12M).

**Operations** (Actual \$14.45M – Budget \$15.04M = Variance \$0.59M)

Favourable variance mainly due to a year-to-date average of ten temporary net vacancies (11 temporary net vacancies as of September 30).

**Asset Management** (Actual \$5.84M – Budget \$6.12M = Variance \$0.28M)

Favourable variance mainly due to lower personnel costs from a year-to-date average of four temporary net vacancies (2 temporary net vacancies as of September 30) \$0.16M and streetlight hydro \$0.09M.

**Fire Services** (Actual \$24.66M – Budget \$24.48M = Variance (\$0.18M))

Unfavourable variance mainly due to higher overtime costs (\$0.64M) to cover for absences, offset by a favourable full-time variance of \$0.52M for a net of (\$0.12M). The remaining variance is partially due to utilities (\$0.03M).

**Library** (Actual \$8.01M – Budget \$8.16M = Variance \$0.15M)

Favourable variance mainly due to a year-to-date average of five temporary net vacancies (7 temporary net vacancies as of September 30).

**Recreation Services** (Actual \$6.60M – Budget \$6.54M = Variance (\$0.06M))

Recreation revenues were unfavourable by (\$0.20M) (actual \$14.80M, budget \$15.00M) mainly in facility hall and gym rentals at Pan Am Centre, Thornhill and Cornell Community Centres (\$0.16M), programs due to lower registration and drop ins (\$0.07M), aquatics from lower registrations (\$0.07M) and fitness from lower membership renewals (\$0.04M) offset

by a favourable variance in camps from an additional week in the 2015 calendar year \$0.15M and higher registration \$0.07M totalling \$0.22M.

The YTD unfavourable variance in revenue was primarily offset by lower personnel costs for a net unfavourable variance of (\$0.06M).

**Waste** (Actual \$5.49M – Budget \$5.73M = Variance \$0.24M)

Favourable variance mainly due to lower than budgeted waste tonnage of \$0.28M.

### **Corporate Services (Appendix 12)**

| <b><u>Department</u></b>                    | <b><u>YTD Sept. 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                        | 2.01                         | 2.16                 | 0.15                         |
| Financial Services                          | 2.45                         | 3.00                 | 0.55                         |
| ITS   | 5.04                         | 5.23                 | 0.19                         |
| Corp. Communications & Community Engagement | 1.00                         | 1.02                 | 0.02                         |
| Commissioner's Office                       | 0.26                         | 0.28                 | 0.02                         |
| <b><u>Net Expense</u></b>                   | <b><u>10.76</u></b>          | <b><u>11.69</u></b>  | <b><u>0.93</u></b>           |

**Legislative Services** (Actual \$2.01M – Budget \$2.16M = Variance \$0.15M)

Favourable variance mainly due to higher business and taxi licences and parking fines.

**Financial Services** (Actual \$2.45M – Budget \$3.00M = Variance \$0.55M)

Favourable variance mainly due to a year-to-date average of five temporary net vacancies (3 temporary net vacancies as of September 30) and favourable finance fees: ownership changes, tax certificates, and new property tax account setup fees.

**ITS** (Actual \$5.04M – Budget \$5.23M = Variance \$0.19M)

Favourable variance mainly due to a year-to-date average of three temporary net vacancies (4 temporary net vacancies as of September 30).

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

| <b><u>Department</u></b>  | <b><u>YTD Sept. 2015</u></b> |                      | <b><u>Variance</u></b>       |
|---------------------------|------------------------------|----------------------|------------------------------|
|                           | <b><u>Actual</u></b>         | <b><u>Budget</u></b> | <b><u>fav./((unfav.)</u></b> |
| Economic Development      | 1.12                         | 1.19                 | 0.07                         |
| Commissioner's Office     | 0.84                         | 0.87                 | 0.03                         |
| <b><u>Net Expense</u></b> | <b><u>1.96</u></b>           | <b><u>2.06</u></b>   | <b><u>0.10</u></b>           |

There were no variances greater than \$0.10M.



**Corporate Items**

| <b><u>Department</u></b> | <b><u>YTD Sept. 2015</u></b> |                      | <b><u>Variance</u></b>      |
|--------------------------|------------------------------|----------------------|-----------------------------|
|                          | <b><u>Actual</u></b>         | <b><u>Budget</u></b> | <b><u>fav./(unfav.)</u></b> |
| Corporate Items          | (119.68)                     | (119.61)             | 0.07                        |
| <b>Net Revenue</b>       | <b>(119.68)</b>              | <b>(119.61)</b>      | <b>0.07</b>                 |

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

| <b><u>(\$ in millions)</u></b>                  | <b><u>YTD Sept. 2015</u></b> |                      | <b><u>Variance</u></b>      |
|---|------------------------------|----------------------|-----------------------------|
|   | <b><u>Actual</u></b>         | <b><u>Budget</u></b> | <b><u>fav./(unfav.)</u></b> |
| <b>Revenues</b>                                 | <b>186.83</b>                | <b>185.46</b>        | <b>1.37</b>                 |
| <b>Expenses</b>                                 |                              |                      |                             |
| Personnel Expenses                              | 83.51                        | 84.82                | 1.31                        |
| Non-Personnel Expenses                          | <u>67.66</u>                 | <u>67.44</u>         | <u>(0.22)</u>               |
| <b>Total Expenses</b>                           | <b><u>151.17</u></b>         | <b><u>152.26</u></b> | <b><u>1.09</u></b>          |
| <b>Surplus excluding winter maintenance</b>     | <b>35.66</b>                 | <b>33.20</b>         | <b>2.46</b>                 |
| Winter Maintenance                              | <u>6.76</u>                  | <u>6.48</u>          | <u>(0.28)</u>               |
| <b>Net surplus including winter maintenance</b> | <b><u>28.90</u></b>          | <b><u>26.72</u></b>  | <b><u>2.18</u></b>          |

At the end of September the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$2.46M and the breakdown is as follows:

**REVENUES**

At the end of September, revenues totalled \$186.83M against a budget of \$185.46M resulting in a favourable variance of \$1.37M (100.7% of budget).

| <b>Revenues</b>             | <b>Actual</b>      | <b>Budget</b>      | <b>Fav./(Unfav.)</b> |
|-----------------------------|--------------------|--------------------|----------------------|
| Property Taxation Revenues  | \$ 136.68 M        | \$ 136.63 M        | \$ 0.05 M            |
| General Revenues            | \$ 25.25 M         | \$ 25.06 M         | \$ 0.19 M            |
| User Fees & Service Charges | \$ 19.07 M         | \$ 18.74 M         | \$ 0.33 M            |
| Grant & Subsidy Revenues    | \$ 1.31 M          | \$ 1.09 M          | \$ 0.22 M            |
| Other Income                | \$ 4.52 M          | \$ 3.94 M          | \$ 0.58 M            |
| <b>Net Variance</b>         | <b>\$ 186.83 M</b> | <b>\$ 185.46 M</b> | <b>\$ 1.37 M</b>     |

**Property Taxation Revenues** (Actual \$136.68M – Budget \$136.63M = Variance \$0.05M)  
Property taxation revenue includes property taxes (budget \$135.42M) and payments-in-lieu of taxes (budget \$1.21M). The favourable variance of \$0.05M is due to supplemental taxes.

**General Revenues** (Actual \$25.25M – Budget \$25.06M = Variance \$0.19M)

The general revenues YTD budget of \$25.06M includes investment income (budget \$7.75M), interest and penalties on property taxes (budget \$2.75M), business, taxi, marriage and other licences (budget \$1.40M), and parking fines (budget \$1.91M).

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General revenues also include PowerStream interest and dividends (YTD budget \$11.25M) 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 \$25.25M at the end of September against a YTD budget of \$25.06M. The main driver for the favourable variance of \$0.19M was due to licences and permits (business and taxi licences) \$0.12M, and parking violations of \$0.08M.

**User Fees and Service Charges** (Actual \$19.07M – Budget \$18.74M= Variance \$0.33M)

The user fees and services charges YTD budget of \$18.74M 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 \$13.57M), and facility rentals for arenas, pools, gym and halls (budget \$5.17M).

User fees and service charges were favourable by \$0.33M, the main drivers of which were:

**Theatre**

Theatre revenues were favourable by \$0.22M (actual \$1.59M, budget \$1.37M) primarily due to higher ticket sales in the professional entertainment series and technical support services totalling \$0.13M and higher program registration \$0.06M.

The favourable variance in revenue is partially offset by higher personnel and non-personnel costs resulting in a net favourable variance of \$0.11M.

Other favourable variances include: Financial services fees such as ownership changes, tax certificates, and new tax account setup fees totaling \$0.11M and Art Centre & Museum program registration fees \$0.09M.

This is partially offset by:

**Recreation**

Recreation revenues were unfavourable by (\$0.20M) (actual \$14.80M, budget \$15.00M) mainly in facility hall and gym rentals at Pan Am Centre, Thornhill and Cornell Community Centres (\$0.16M), programs due to lower registration and drop ins (\$0.07M), aquatics from lower registrations (\$0.07M) and fitness from lower membership renewals (\$0.04M) offset by a favourable variance in camps from an additional week in the 2015 calendar year \$0.15M and higher registration \$0.07M totalling \$0.22M.

The YTD unfavourable variance in revenue was primarily offset by lower personnel costs for a net unfavourable variance of (\$0.06M). For comparison, the September 2014 year-to-date net variance was unfavourable (\$0.16M).

**Grants & Subsidy Revenues** (Actual \$1.31M – Budget \$1.09M = Variance \$0.22M)

The YTD budget includes provincial and federal grants of \$1.09M. The favourable variance of \$0.22M resulted from the receipt of one-time federal and provincial grants.

**Other Income** (Actual \$4.52M – Budget \$3.94M = Variance \$0.58M)

The favourable variance of \$0.58M resulted primarily from solar panel revenue of \$0.16M, sportsfield hydro recoveries and rentals of \$0.12M, financial services administrative and legal fees from subdivision and site-plan agreements totaling \$0.10M, miscellaneous recoveries \$0.06M and other items from various departments.

**PERSONNEL EXPENDITURES**

At the end of September, personnel expenditures were favourable by \$1.31M, 98.5% 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 | \$81.58 M        | \$83.61 M        | \$2.03 M             |
| Overtime and other personnel costs                        | \$1.93 M         | \$1.21 M         | (\$0.72 M)           |
| <b>Total</b>  | <b>\$83.51 M</b> | <b>\$84.82 M</b> | <b>\$1.31 M</b>      |

At the end of September, there were 59 net temporary vacancies (of which 11 were vacancies from approved leaves of absence and secondments) and a year-to-date average 53 net temporary vacancies resulting in a favourable variance of \$2.92M. This was offset by full year budgeted salary gapping of (\$0.46M) and an unfavourable variance of (\$0.43M) in part-time salaries (with partial offset in revenues \$0.28M) netting a favourable variance of \$2.03M.

Overtime and other personnel costs were unfavourable by (\$0.72M) mainly due to coverage for absences in the Fire Department (\$0.64M) (offset by a corresponding favourable full-time variance of \$0.52M).

**NON-PERSONNEL EXPENDITURES**

At the end of September, non personnel expenditures were unfavourable by (\$0.22M) (100.3% of budget):

| <b>Non Personnel Items</b> | <b>Actual</b>     | <b>Budget</b>     | <b>Fav./(Unfav.)</b> |
|----------------------------|-------------------|-------------------|----------------------|
| Materials & Supplies       | \$ 5.48 M         | \$ 5.49 M         | \$ 0.01 M            |
| Purchased Services         | \$ 29.46 M        | \$ 29.74 M        | \$ 0.28 M            |
| Transfers to Reserves      | \$ 30.53 M        | \$ 30.33 M        | (\$0.20) M           |
| Other Expenditures         | \$ 2.19 M         | \$ 1.88 M         | (\$0.31) M           |
| <b>Total</b>               | <b>\$ 67.66 M</b> | <b>\$ 67.44 M</b> | <b>(\$0.22) M</b>    |

**Materials & Supplies** (Actual \$5.48M – Budget \$5.49M = Variance \$0.01M)

Materials & supplies YTD budget of \$5.49M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$3.73M), vehicle supplies such as fuel and repair parts (budget \$1.31M), and printing and office supplies (budget \$0.45M).

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**Purchased Services** (Actual \$29.46M – Budget \$29.74M = Variance \$0.28M)

Purchased services YTD budget of \$29.74M includes utilities and streetlight hydro (budget \$6.67M), contract service agreements such as facility maintenance, computer hardware and software agreements/licences, and asphalt repairs (budget \$6.37M), waste collection (budget \$6.02M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.71M), insurance (budget \$1.66M).

Purchased Services were unfavourable (\$0.28M) mainly due to:

- (\$0.79M) unfavourable from utilities and streetlight hydro
- (\$0.12M) unfavourable in Theatre professional entertainment fees (offsets in revenue)

Offset by:

- \$0.33M favourable in professional fees, training, and travel (excl. office supplies of \$0.11M which is included under Materials & Supplies)
- \$0.28M favourable in waste collection
- \$0.17M favourable in contract service agreements

Details of the above mentioned items are as follows:

Utilities and Streetlight Hydro had an unfavourable variance of (\$0.79M) which is broken down by the following items:

- Hydro and MDE utilities was unfavourable by (\$0.69M) driven by volume (\$0.62M) and price (\$0.07M). A further breakdown of the volume unfavourable variance is as follows:
  - The 2015 budget included insufficient budget for the following facilities: Civic Centre (\$0.12M), Cornell CC&L (\$0.11M), 8100 Warden Ave (\$0.05M) totaling (\$0.28M)
  - 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 (\$0.20M) which will be addressed in the 2016 Budget.

Other unfavourable variances were Theatre professional entertainment fees (offsets in revenue) totaling (\$0.12M).

These unfavourable variances are partially offset by:

- \$0.33M favourable variance in professional fees, training, and travel;
- \$0.28M favourable variance in waste collection mainly due to lower waste tonnage (actual \$5.74M, budget \$6.02M);
- \$0.17M favourable variance in contract service agreements such as facility maintenance, computer hardware and software agreements/licences.

**Transfers to Reserves** (Actual \$30.53M – Budget \$30.33M = Variance (\$0.20M))

The majority of funds are transferred to the Life Cycle Replacement and Capital Reserve Fund. The unfavourable variance of (\$0.20M) was primarily due to the additional solar revenue being transferred to reserves for future investment in energy conservation projects.

**Other Expenditures** (Actual \$2.19M – Budget \$1.88M = Variance (\$0.31M))

Other expenditures YTD budget of \$1.88M includes property tax adjustments and property vacancy rebates (budget \$0.82M), Celebrate Markham grants (budget \$0.37M), and corporate contingency (budget \$0.51).

Other expenditures were unfavourable (\$0.31M) at the end of September due to property tax adjustments (\$0.25M) offset by various favourable variances across all departments.

Property tax adjustments are anticipated to be unfavourable by (\$0.79M) 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. 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**

|  | <b>Projected Year-End Variance</b> |
|--|------------------------------------|
|  | <b>Fav./(Unfav.)</b>               |
| Personnel expenditures                             | \$2.20M                            |
| Non-personnel expenditures                         | \$0.70M                            |
| Revenue  | \$0.90M                            |
| Year-end accounting accruals and other adjustments | (\$1.60M)                          |
| Total  | \$2.20M                            |
| Winter maintenance unfavourable variance           | <u>(\$0.90M) to (\$0.35M)</u>      |
| Surplus  | \$1.30M to \$1.85M                 |

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 (including year-end accounting adjustment and excluding winter maintenance) of \$2.20M. This projection is an improvement from the July projection of favourable \$1.30M to \$2.30M. The change is primarily due to anticipated savings from additional vacancies as well as an improvement in Recreation revenue and higher revenues from licences and user fees.

The City's year-end accounting accruals and other adjustments include Firefighters sick leave, 27<sup>th</sup> pay accrual, severance and salary continuance, and post retirement benefits. The 2015 year-end accounting adjustments are estimated at a net of \$1.60M.

**Winter Maintenance Operations**

Winter maintenance operations is projected to have a year-end variance of (\$0.35M) to (\$0.90M), based on additional equipment for the 2015/16 winter season and winter maintenance being on budget or 25% unfavourable for the last six weeks of the year.

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**Planning & Design**

Planning & Design is projecting a year-end surplus of \$0.10M to \$0.30M compared to a budgeted deficit of (\$0.96M). This will result in a transfer to reserves of \$0.10M to \$0.30M (a favourable variance to budget of \$1.06M to \$1.26M). 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 6 net average vacancies into year-end. This projection is on target and unchanged from July's projection presented to General Committee in September.

**Engineering**

Engineering is projecting a year-end deficit of (\$0.10M) to a surplus of \$0.10M compared to a budgeted deficit of (\$1.48M). This will result in a reduced draw from reserves of (\$0.10M) or a transfer to reserves of \$0.10M. The projected variances are due to a forecasted increase in the number of units registered through subdivision or site plan agreements. This projection is on target and unchanged from the July projection.

Based on the above year end projection in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$9.38M) to (\$8.98M) at year-end (see Appendix 5).

**Building Standards**

Staff is projecting a year-end deficit of (\$1.40M) compared to a budgeted deficit of (\$1.46M). This will result in a reduced draw from reserves of (\$1.40M). The change is due to 6 average net full-time vacancies offset by unfavourable building permit fees. This projection is on target and unchanged from the July projection.

Based on the above year end projection in Building Services, the balance of the reserve is anticipated to be \$10.04M at year-end (see Appendix 7).

**Waterworks**

Upon budget approval, the budgeted surplus of \$13.60M was transferred to the Waterworks reserve. Based on the July year-to-date results, Waterworks is projected to be in the range of unfavourable (\$1.00M) to (\$1.50M) at year end. This projection is on target and unchanged from the July projection.

The year-end Waterworks reserve balance is projected to be between \$41.58M and \$42.08M 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 2016 with the year end results.

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**RECOMMENDED**

03/11/2015

03/11/2015

X 

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Joel Lustig  
Treasurer

X 

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Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

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

Appendix 1 – Primary Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 2 – Library Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 3 – Planning & Design Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 4 – Engineering Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 5 – Planning & Engineering Development Fee Reserve Balance as at September 30, 2015

Appendix 6 – Building Standards Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 7 – Building Fee Reserve Balance as at September 30, 2015

Appendix 8 – Waterworks Operating Budget - Financial Results for the Nine Months Ended September 30, 2015

Appendix 9 – Waterworks Reserve Balance as at September 30, 2015

Appendix 10 – Variances by Commission and Department for the nine months ended September 30, 2015 – CAO's Office, Human Resources, Legal and Sustainability

Appendix 11 – Variances by Commission and Department for the nine months ended September 30, 2015 – Community and Fire Services

Appendix 12 – Variances by Commission and Department for the nine months ended September 30, 2015 – Corporate Services

Appendix 13 – Variances by Commission and Department for the nine months ended September 30, 2015 – Development Services