



Report to: **General Committee – Finance & Admin.** Date of Meeting: May 30, 2011

SUBJECT: March 2011 Year-To-Date Review of Operations
PREPARED BY: Andrea Tang, Manager Financial Planning

RECOMMENDATION:

THAT the report dated May 30, 2011 entitled “March 2011 Year-To-Date Review of Operations” be received.

EXECUTIVE SUMMARY:

Town

At the end of March 2011, the operating budget results (excluding Planning & Design, Engineering, Building Services and Waterworks) reflect an unfavourable variance of (\$0.598M). The (\$0.598M) unfavourable variance is comprised of unfavourable variances in Revenues (\$0.149M) and in Expenditures of (\$0.449M), as shown below:

Revenues	Fav./(Unfav.)	Expenditures	Fav./(Unfav.)
Recreation Revenue	\$ (0.317) M	Salary & Benefits Cost (Net of Salary Gapping)	\$ 0.342 M
Investment Income	0.107 M	Winter Maintenance (Net of Phase-in)	(0.969) M
Other	0.061 M	Training, Office Supplies, Travel, Advertising & Promotion, Professional Services	0.207 M
		Contracted Service Agreements	0.141 M
		Operating Materials & Supplies	0.113 M
		Fuel	0.051 M
		Non-personnel Expenditure Gapping	(0.242) M
		Other	(0.092) M
Total	\$ (0.149) M	Total	\$ (0.449) M

Town's Net Unfavourable Variance = (\$0.598M)

Planning & Design

Planning & Design ended March with a year-to-date favourable variance of \$0.007M. This was due to a favourable variance of \$0.190M in personnel and non-personnel costs offset by an unfavourable variance of (\$0.183M) in revenues.

Planning & Design Net Favourable Variance = \$0.007M

Engineering

Engineering ended March with a year-to-date favourable variance of \$0.257M. This was due to a favourable variance of \$0.324M in personnel and non-personnel costs offset by an unfavourable variance of (\$0.067M) in revenues.

Engineering Net Favourable Variance = \$0.257M

Building Services

Building Services ended March year-to-date favourable by \$1.742M. This was due to a favourable variance of \$1.491M in revenues, and total favourable variance of \$0.251 in personnel and non-personnel costs.

Building Services Net Favourable Variance = \$1.742M

Waterworks

Waterworks ended March with a year-to-date favourable variance of \$0.292M. This variance was due to an unfavourable variance of (\$0.067M) in the net water sales and purchases, offset by total favourable variance of \$0.270M in personnel and non-personnel costs, and favourable variance of \$0.089M in other revenues.

Waterworks Net Favourable Variance = \$0.292M
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PURPOSE:

To provide an overview of the year-to-date financial results at the end of March 2011.

BACKGROUND

There are 5 operating budgets that are monitored on a monthly basis. The Town's primary operating budget (excluding Planning & Design, Engineering, Building Services and Waterworks) is to support the Town's day-to-day operations.

The remaining 4 budgets include Planning & Design, Engineering, Building Services and Waterworks Operating Budgets, and they are shown separate from the Town's Operating Budget as they are primarily user fee funded (e.g. planning and engineering fees, building permit revenue and revenues based on water consumption, respectively) and separate reserves have been established for each.

Departments provide details of significant financial variances (actual to budget) in their areas. The variances are reviewed, substantiated and summarized by the Financial Planning department. Minor variances are reviewed by staff, but not discussed in detail in this report.

OPTIONS/ DISCUSSION

YEAR-TO-DATE OPERATING BUDGET VARIANCES:

Town

At the end of three months, the 2011 operating budget (excluding Planning & Design, Engineering, Building Services and Waterworks) results reflected an overall (\$0.598M) unfavourable variance.

The (\$0.598M) unfavourable variance was comprised of variances in three main areas of the Town's operating budget:

(\$0.791M)	unfavourable variance in Non-Personnel Expenditures
(\$0.149M)	unfavourable variance in Revenues
<u>\$0.342M</u>	favourable variance in Personnel Expenditures
<u>(\$0.598M)</u>	

In summary, the (\$0.598M) unfavourable variance is driven by Winter Maintenance (\$0.969M) partially offset by a favourable variance of \$0.342M in salaries and benefits resulting from 51 net full-time vacancies of which 16 new tax funded positions were approved in the 2011 budget on March 1, 2011. It has been the Town's practice to budget new full time positions for the full year.

NON-SALARY EXPENDITURES

At the end of March, Non-Salary expenditures were (\$0.791M) unfavourable.

Non-Salary Items	Fav. / (Unfav.)
Purchased Services	(\$0.533 M)
Materials & Supplies	\$0.000 M
Other Expenditures	(\$0.258 M)
Total Non-Salary Unfavourable Variance	(\$0.791 M)

Purchased Services

The unfavourable variance of (\$0.533M) in Purchased Services was primarily due to the following accounts:

- (\$0.815M) unfavourable variance in winter maintenance due to higher than budgeted number of storms (actual 5 vs. budget 3);
- \$0.207M favourable variance in training, travel, promotion & advertising, and professional services;
- \$0.141M favourable variance in contracted services within the Asset Management, Parks and Roads departments.

Materials & Supplies

At the end of March, Materials and Supplies were on budget and below identifies the status on some accounts within this area:

- (\$0.154M) favourable variance in winter maintenance driven primarily by higher usage of salt due to higher than budgeted number of storms;
- \$0.113M favourable variance in operating materials;
- \$0.051M favourable variance in vehicle fuel

Other Expenditures

The unfavourable variance of (\$0.258M) was primarily due to the budgeted non-personnel gapping savings of (\$0.242M) which were fully allocated to the individual commissions.

REVENUES

At the end of March 2011, revenues were unfavourable by (\$0.149M) due to the followings:

Revenue Items	Fav./Unfav.)
User Fees and Service Charges	(\$0.309 M)
Taxation Revenues	(\$0.010 M)
Grant & Subsidy Revenues	\$0.047 M
General Revenues	\$0.112 M
Other Income	\$0.011 M
Net Unfavourable Variance	(\$0.149M)

User Fees and Service Charges

The unfavourable variance of (\$0.309M) was primarily due to unfavourable Recreation revenue in fitness membership (\$0.106M), ice rental (\$0.096M) and soccer rental (\$0.086M). Recreation department is currently reviewing and analyzing the unfavourable variances that will be included in the next quarterly operations update for the period ended June.

General Revenues

The favourable variance of \$0.112M was primarily due to investment income of \$0.107M of which \$0.230M was due to the interest rate, offset by unfavourable variance of (\$0.123M) due to portfolio balance.

PERSONNEL EXPENDITURES

The March year-to-date personnel expenditure variance was \$0.342M favourable:

Salary Expenditures Items	Fav./(Unfav.)
Full Time Salaries net of vacancy backfills	\$0.576 M
Overtime	(\$0.142) M
Other Personnel Costs	(\$0.092) M
Salaries & Benefits Favourable Variance	\$0.342 M

The \$0.576M favourable variance in full time salaries net of vacancy backfills was the result of 51 net vacant positions which included the 16 new tax-funded positions approved in the 2011 budget, offset by the annual salary gapping savings of \$0.455M. The unfavourable variance of (\$0.142M) in overtime was due to the Fire Department (\$0.059M) and winter maintenance (\$0.046M).

Further details on the Town's Operating results are provided in Appendix 1.

PLANNING & DESIGN

Planning & Design reported a year-to-date favourable variance of \$0.007M at the end of March (see Appendix 2) due to lower personnel and non-personnel costs of \$0.190M, offset by lower user fees of (\$0.183M).

This is in comparison to a prior year Planning March year-to-date unfavourable variance of (\$0.030M).

ENGINEERING

Engineering reported a year-to-date favourable variance of \$0.257M (see Appendix 3). The favourable variance of \$0.324M in personnel and non-personnel expenditures was partially offset by unfavourable revenue variance of (\$0.067M) from lower user fees than budget.

This is in comparison to a prior year Engineering March year-to-date favourable variance of \$1.091M.

BUILDING SERVICES

Building Services reported a favorable variance of \$1.742M at the end of three months (refer to Appendix 4) due to a favourable variance in revenue of \$1.491M resulting from higher building permit activity and a favourable variance of \$0.251M in personnel and non-personnel costs.

This is in comparison to a prior year Building Services March year-to-date favourable variance of \$0.395M.

WATERWORKS

Waterworks reported a year-to-date favourable variance of \$0.292M at the end of March (see Appendix 5).

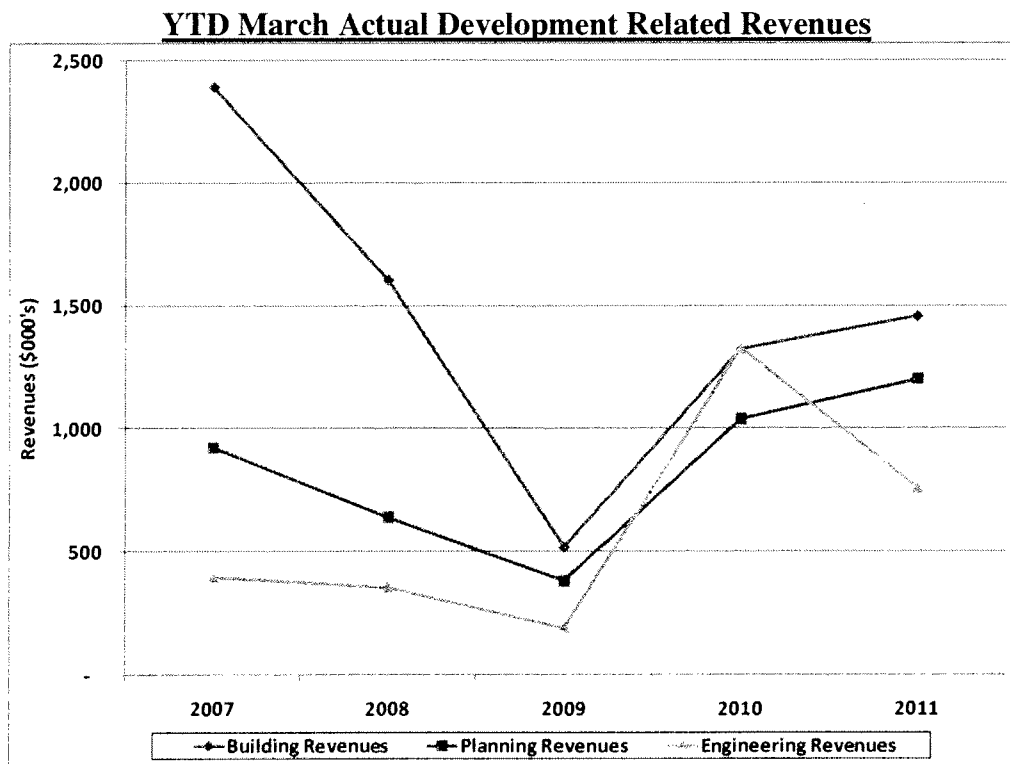
The favourable variance was due to favourable variances in personnel costs of \$0.153M as a result of an average of 9 vacancies, non-personnel cost of \$0.117M, user fees and other charges \$0.089M; partially offset by the net water sales and purchases unfavourable by (\$0.067M) as a result of lower water sales.

ECONOMIC KEY INDICATORS

Staff has identified several key economic indicators to monitor the Town's operations such as development related revenues, development charge revenues, and winter maintenance expenditures. The charts below provide March year-to-date results on these items for the years 2007 to 2011 for comparative purposes.

Development Related Revenues

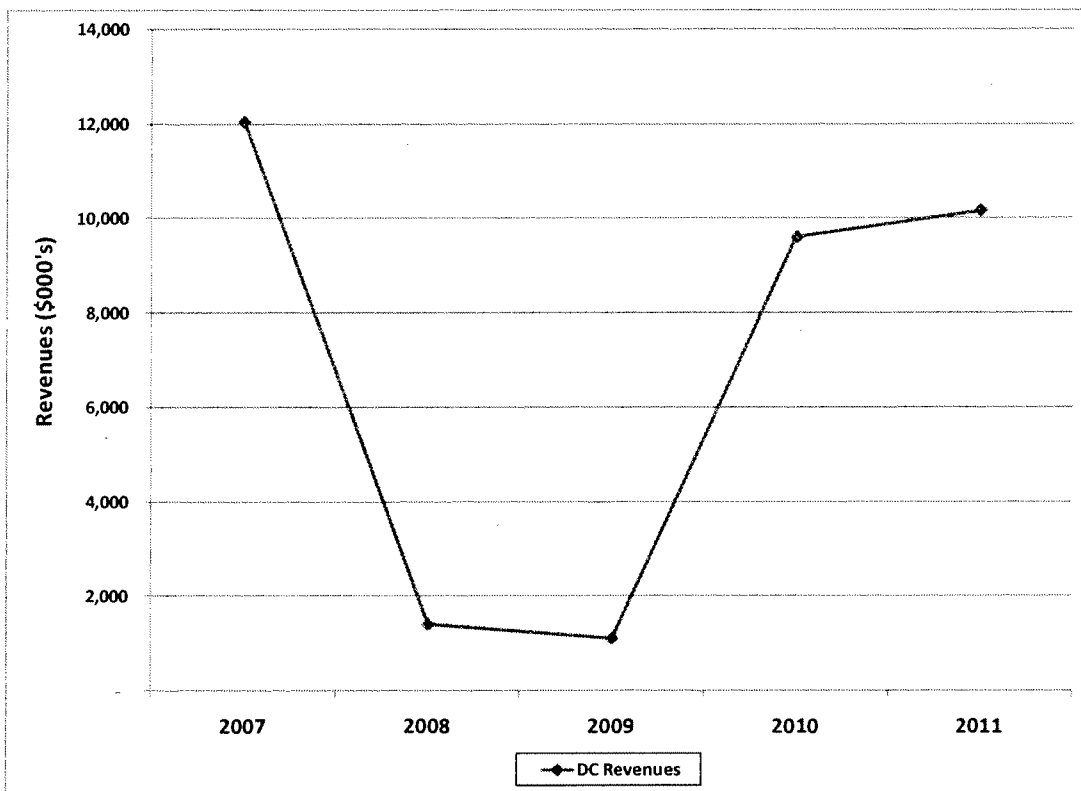
The development related revenues include planning, engineering and building fees. The revenues from Planning & Design and Building Services have shown growth in the first quarter in 2011 compared to the first quarter in 2010 which resulted from increased development activities. Engineering has shown slower activity in the first quarter of 2011 when compared to 2010 but still significantly higher when compared to the years 2007-2009. The chart below outlines the declining trends in the years 2007-2009, followed by a rebound in first quarter of 2010 and 2011.



Development Charges (DC) Revenues

The DC revenues in the first quarter of 2011 are comparable to the first quarter in 2010. DC revenues peaked in 2007 and 2010 as a result of increased development prior to the Region of York's development charges by-law update. In addition, the economic downturn had negatively impacted development activity and DC revenues in 2008 and 2009.

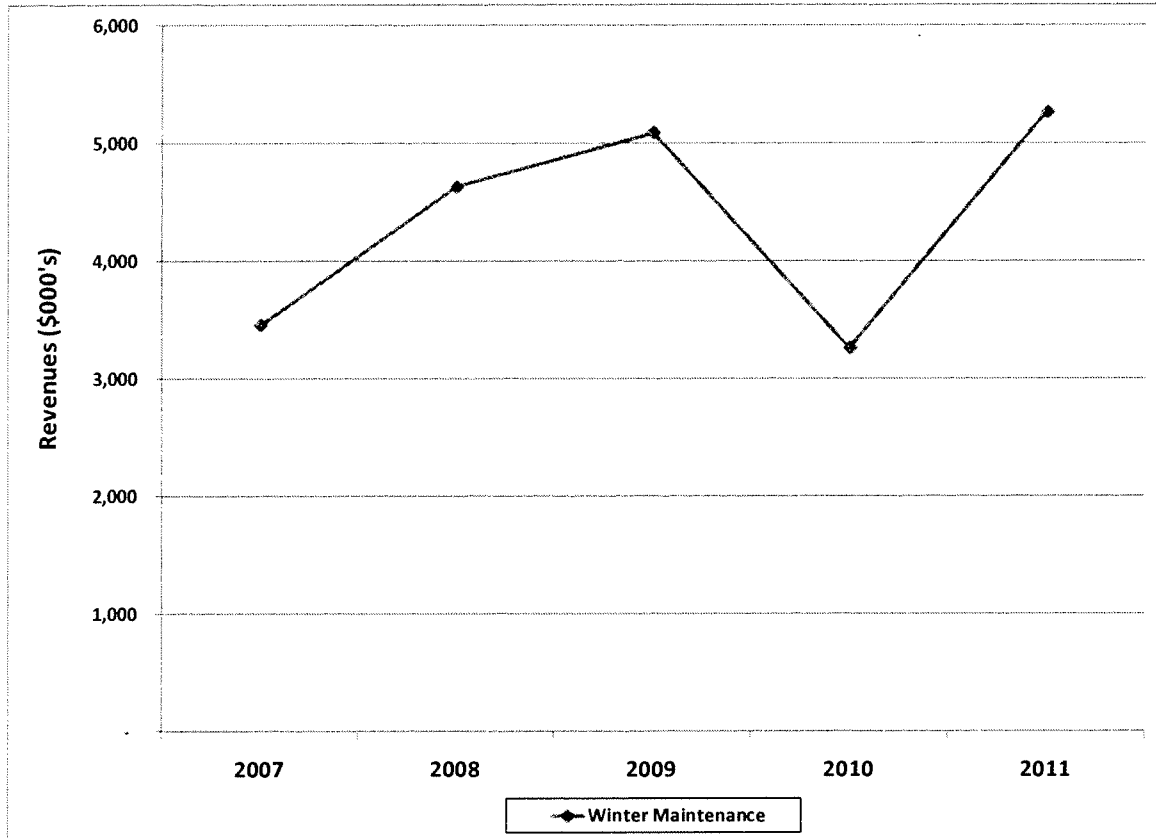
YTD March Actual DC Revenues



Expenditures

Staff also continues to monitor the spending on winter maintenance. The winter maintenance costs were higher in the first quarter of 2011 compared to the same period for the years 2007 to 2010 due to severe winter conditions.

YTD March Expenditures



The other key economic indicators that are being monitored include financial services administration and legal fees, Recreation and Culture revenues and streetlight maintenance, which have been trending consistent to prior year first quarter actuals.

FINANCIAL CONSIDERATIONS:

Staff will continue to monitor the results of Operations each month and identify strategies, where necessary, to mitigate the unfavourable variance from winter maintenance.

Further, Staff will provide a year-end projection (including year end accounting accruals) as part of the June 2011 year-to-date review of operations.

RECOMMENDED

BY:

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Joel Lustig
Treasurer

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Andy Taylor
Commissioner of Corporate Services

ATTACHMENTS:

Appendix 1 – Operating Budget - Financial Results for the Three Months Ended March 31, 2011

Appendix 2 – Operating Budget for Planning & Design - Financial Results for the Three Months Ended March 31, 2011.

Appendix 3 – Operating Budget for Engineering - Financial Results for the Three Months Ended March 31, 2011

Appendix 4 – Operating Budget for Building Services - Financial Results for the Three Months Ended March 31, 2011

Appendix 5 – Operating Budget for Waterworks - Financial Results for the Three Months Ended March 31, 2011