



Report to: General Committee

Date Report Authored: April 16, 2015

SUBJECT: 2015 March Year-To-Date Review of Operations
PREPARED BY: Andrea Tang, Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2015 March Year-To-Date Review of Operations” 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, 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 March 31, 2015. The report also includes the following information :

- Actual and budget revenues and expenses in addition to variances;
- Winter maintenance details by component.
- Key account details on the major categories of revenues and expenses; and
- Net variances for applicable departments that have offsetting expenses and revenues.

Primary Operating Budget (Appendix 1)

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

All figures (actual, budget and variance) reflect year-to-date March results (January 1 to March 31).

Surplus: Actual \$15.35M – Budget \$14.91 = Favourable variance \$0.44M
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City operations YTD March surplus excluding winter maintenance was \$21.86M against a budget of \$21.39M, resulting in a favourable variance of \$0.47M. City operations, including winter maintenance, incurred a favourable variance of \$0.44M.

(\$ in millions)	<u>YTD March 2015</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Revenues	79.57	79.31	0.26
Expenses			
Personnel Expenses	27.58	27.53	(0.05)
Non-Personnel Expenses	30.13	30.39	0.26
Total Expenses	57.71	57.92	0.21
Surplus excluding winter maintenance ⁽¹⁾	21.86	21.39	0.47
Winter Maintenance ⁽²⁾	6.51	6.48	(0.03)
Net surplus including winter maintenance	15.35	14.91	0.44

1. City's Surplus excluding winter maintenance

City's surplus excluding winter maintenance = Favourable variance \$0.47M

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)		Expenditures	Fav. / (Unfav.)	
Investment Income	0.25	M	Salary & benefit costs	(0.05)	M
Theatre revenues (ticket sales, technical support services and rental)	0.14	M	Streetlight hydro	0.14	M
Federal and Provincial grants	0.06	M	Waste collection	0.10	M
Recreation revenue	(0.23)	M	Vehicle supplies, printing and office supplies	0.08	M
Other	0.04	M	Theatre professional entertainment fees	(0.03)	M
			Other	(0.03)	M
Total	0.26	M	Total	0.21	M

2. Winter Maintenance

Winter maintenance = Unfavourable variance (\$0.03M)

The 2015 actual winter maintenance expenditures at the end of the first quarter totaled \$6.51M against a budget of \$6.48M, resulting in an unfavourable variance of (\$0.03M).

The winter maintenance expenditures were unfavourable by (\$2.27M) (Actual \$7.97M, Budget \$5.70M) for the same period in 2014.

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;

3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants.

The five winter maintenance contracts have a fixed cost component of 37% and variable cost component of 63%. The fixed costs (standby costs) are charged throughout the winter months whether or not services are rendered in order to cover the contractor's capital costs. The variable costs are based on service hours provided.

The winter maintenance expenditures were unfavourable by (\$0.03M) as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav./ (Unfav.)</u>	
Sidewalk (per unit of equipment)	323 hrs	283 hrs	(40 hrs)	\$0.10M
Loader (per unit of equipment)	151 hrs	133 hrs	(18 hrs)	\$0.03M
Grader (per unit of equipment)	52 hrs	71 hrs	19 hrs	(\$0.12M)
Tandem (per unit of equipment)	289 hrs	270 hrs	(19 hrs)	\$0.30M
Salt	18,000 tonnes	13,700 tonnes	(4,300 tonnes)	(\$0.31M)
Part-time and overtime costs				(\$0.05M)
Other winter maintenance costs				\$0.02M
Winter maintenance unfavourable variance				(\$0.03M)

Planning & Design (Appendix 3)

Actual (\$0.91M) – Budget (\$0.78M) = Unfavourable variance (\$0.13M)

At the end of the first quarter, the Planning department incurred a deficit of (\$0.91M) against a budgeted deficit of (\$0.78M). The unfavourable variance of (\$0.13M) was mainly due to lower than budgeted Planning and Design fees by (\$0.22M).

Engineering (Appendix 4)

Actual (\$0.58M) – Budget (\$0.98M) = Favourable variance \$0.40M

At the end of the first quarter, the Engineering department incurred a deficit of (\$0.58M) against a budgeted deficit of (\$0.98M). The favourable variance of \$0.40M was mainly due to higher than budgeted Engineering fees.

Building Standards (Appendix 5)

Actual (\$1.21M) – Budget (\$0.41M) = Unfavourable variance (\$0.80M)

At the end of the first quarter, the Building Standards department incurred a deficit of (\$1.21M) against a budgeted deficit of (\$0.41M). The unfavourable variance of (\$0.80M) was mainly due to a lower number of building permits being issued.

Waterworks (Appendix 6)

Actual \$1.24M – Budget \$0.98M = Favourable variance \$0.26M
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At the end of the first quarter, the Waterworks department incurred a surplus of \$1.24M against a budgeted surplus of \$0.98M. The main drivers for the favourable variance of \$0.26M were as follows:

- Higher than budgeted water sales offset by higher purchases and higher non-revenue water (February year-to-date actual non-revenue water (NRW) was 15.4% compared to a budget of 11%) resulting in a favourable “net sales and purchases” variance of \$0.10M;
- Higher than budgeted water meter installations at new sub-divisions resulting in a favourable variance of \$0.10M;
- Lower personnel costs resulting in a favourable variance of \$0.06M due to an average of seven net vacancies.

Staff will continue to monitor the NRW as the February year-to-date NRW of 15.4% was high when compared to the same period in previous years.

PURPOSE:

To report on the year-to-date actual 2015 operating budget results versus the budgeted 2015 operating budget as at March 31, 2015.

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, such as 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.

DISCUSSION:

City's Surplus excluding winter maintenance

(\$ in millions)	<u>YTD March 2015</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Revenues	79.57	79.31	0.26
Expenses			
Personnel Expenses	27.58	27.53	(0.05)
Non-Personnel Expenses	30.13	30.39	0.26
Total Expenses	57.71	57.92	0.21
Surplus excluding winter maintenance	21.86	21.39	0.47

At the end of the first quarter the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$0.47M and the breakdown is as follows:

REVENUES

At the end of the first quarter, revenues totalled \$79.57M against a budget of \$79.31M resulting in a favourable variance of \$0.26M (100.3% of budget).

Revenues	Actual	Budget	Fav./(Unfav.)
Property Taxation Revenues	\$ 64.98 M	\$ 64.98 M	\$ 0.00 M
General Revenues	\$ 5.98 M	\$ 5.68 M	\$ 0.30 M
User Fees & Service Charges	\$ 6.82 M	\$ 6.94 M	(\$0.12) M
Grant & Subsidy Revenues	\$ 0.40 M	\$ 0.34 M	\$ 0.06 M
Other Income	\$ 1.39 M	\$ 1.37 M	\$ 0.02 M
Net Variance	\$ 79.57 M	\$ 79.31 M	\$ 0.26 M

Property Taxation Revenues

Property taxation revenue includes property taxes (budget \$64.98M), supplemental taxes (budget nil), and payments-in-lieu of taxes (budget nil).

General Revenues

General revenues YTD budget of \$5.68M includes investment income (budget \$2.22M), interest and penalties on property taxes (budget \$0.88M), business, taxi, marriage and other licences (budget \$0.80M), and parking fines (budget \$0.59M).

General revenues also includes PowerStream interest and dividends (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 \$5.98M at the end of first quarter against a YTD budget of \$5.68M. The main driver for the favourable variance of \$0.30M was due to higher investment income of \$0.25M (actual \$2.47M, budget \$2.22M) resulting from a higher portfolio balance \$0.13M and higher rate of return \$0.12M.

User Fees and Service Charges

User fees and services charges YTD budget of \$6.94M 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 \$4.46M), and facility rentals for arenas, pools, gym and halls (budget \$2.48M).

User fees and service charges were unfavourable by (\$0.12M), the main drivers of which were:

Recreation

Recreation revenues were unfavourable by (\$0.23M) (actual \$6.01M, budget \$6.24M) mainly in aquatics (\$0.16M) and facility rentals (\$0.06M). In aquatics, the number of registrations increased by 460 as compared to the same period in 2014. However, it was not sufficient to meet the Q1 revenue budget, and Staff will continue to monitor the results. Through an ongoing marketing campaign, there has been an increase in the Spring registration as compared to 2014 for which the revenues will be reflected in Q2.

Theatre

Theatre revenues were favourable by \$0.14M (actual \$0.57M, budget \$0.43M) primarily due to higher ticket sales in the professional entertainment series \$0.05M, higher technical support services \$0.03M and higher facility rentals \$0.02M.

The favourable variance in revenue is partially offset by associated higher personnel and non-personnel costs which resulting in a net favourable variance of \$0.09M.

PERSONNEL EXPENDITURES

At the end of the first quarter, personnel expenditures were unfavourable by (\$0.05M), 100.18% of budget.

Personnel	Actual	Budget	Fav./(Unfav.)
Full time net of vacancy backfills and part time salaries	\$26.85 M	\$26.95 M	\$0.10 M
Overtime and other personnel costs	\$0.73 M	\$0.58 M	(\$0.15 M)
Total	\$27.58 M	\$27.53 M	(\$0.05 M)

At the end of the first quarter, there were 42 net vacancies and 12 temporary vacancies from approved leaves of absence and secondments resulting in a favourable variance of \$0.67M.

This was offset by full year budgeted salary gapping of (\$0.46M) and an unfavourable variance of (\$0.11M) in part-time salaries (with partial offset in revenues \$0.04M) netting a favourable variance of \$0.10M.

Overtime was unfavourable by (\$0.15M) mainly due to coverage for absences in the Fire Department (offset by a favourable full-time variance of \$0.13M).

NON-PERSONNEL EXPENDITURES

At the end of the first quarter, non personnel expenditures were favourable by \$0.26M (99.1% of budget):

Non Personnel Items	Actual	Budget	Fav./(Unfav.)
Materials & Supplies	\$ 1.13 M	\$ 1.21 M	\$ 0.08 M
Purchased Services	\$ 7.65 M	\$ 7.84 M	\$ 0.19 M
Transfers to Reserves	\$ 20.58 M	\$ 20.58 M	\$ 0.00 M
Other Expenditures	\$ 0.77 M	\$ 0.76 M	(\$0.01) M
Total	\$ 30.13 M	\$ 30.39 M	\$ 0.26 M

Materials & Supplies

Materials & supplies YTD budget of \$1.21M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$0.54M), vehicle supplies such as fuel and repair parts (budget \$0.40M), and printing and office supplies (budget \$0.15M).

Materials & supplies were favourable by \$0.08M mainly in vehicle supplies, and printing and office supplies.

Purchased Services

Purchased services YTD budget of \$7.84M includes utilities (budget \$1.87M), waste collection (budget \$1.61M), contract service agreements such as facility maintenance, computer hardware and software agreements/licences, and asphalt repairs (budget \$1.53M), insurance (budget \$1.41M), streetlight hydro (budget \$0.72M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$0.67M).

Purchased Services were favourable by \$0.19M mainly due to:

- lower streetlight hydro expenditures of \$0.14M (actual \$0.56M, budget \$0.70M) resulting from lower than budgeted volume and price; and
- \$0.10M favourable variance in waste collection mainly due to lower waste tonnage (actual \$1.51M, budget \$1.61M). The 2015 waste collection budget was reduced by \$0.10M.

These favourable variances were partially offset by:

- (\$0.03M) unfavourable variance in Theatre professional entertainment fees (actual \$0.22M, budget \$0.19M) which was partially offset by higher professional entertainment series ticket sales
- (\$0.02M) unfavourable variance in various items

Transfers to Reserves

The Life Cycle Replacement and Capital Reserve Fund comprises the majority of this item (budget \$20.58M).

Other Expenditures

Other expenditures YTD budget of \$0.76M includes Celebrate Markham grants (budget \$0.37M), property tax adjustments and vacancy rebates (budget \$0.24M), and corporate contingency (budget nil). Other expenditures were on budget at the end of Q1.

FINANCIAL RESULTS BY COMMISSION AND DEPARTMENT

Net results (revenues – expenses) for the three months ended March 31, 2015 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 7 to 10. Explanations for variances greater than \$0.05M are provided below.

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

<u>Department</u>	<u>YTD March 2015</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
CAO's Office	0.21	0.21	0.00
Human Resources	0.51	0.55	0.04
Legal	0.25	0.30	0.05
Sustainability Office	0.04	0.07	0.03
Total	1.01	1.13	0.12

There were no variances greater than \$0.05M.

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

<u>Department</u>	<u>YTD March 2015</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Arts Centre	0.11	0.13	0.02
Museum	0.19	0.24	0.05
Theatre	0.14	0.23	0.09
Culture Admin	0.08	0.09	0.01
Operations	9.34	9.53	0.19
Asset Management	2.13	2.30	0.17
Fire Services	7.73	7.67	(0.06)
Library	3.04	3.15	0.11
Recreation Services	0.92	0.58	(0.34)
Waste	1.51	1.51	0.00
Commissioner's Office	0.10	0.11	0.01
Total	25.32	25.54	0.22

Theatre (Actual \$0.14M – Budget \$0.23M = Variance \$0.09M)

Favourable variance mainly due to higher revenues. Refer to page 6 for variance explanations.

Operations (Actual \$9.34M – Budget \$9.53M = Variance \$0.19M)

Favourable variance mainly due to five net vacancies and traffic signal maintenance.

Asset Management (Actual \$2.13M – Budget \$2.30M = Variance \$0.17M)

Favourable variance mainly due to streetlight hydro of \$0.14M.

Fire Services (Actual \$7.73M – Budget \$7.67M = Variance (\$0.06M))

Unfavourable variance mainly due to overtime costs. Refer to page 7 for variance explanations.

Library (Actual \$3.04M – Budget \$3.15M = Variance \$0.11M)

Favourable variance mainly due to four net vacancies.

Recreation (Actual \$0.92M – Budget \$0.58M = Variance (\$0.34M))

Unfavourable variance mainly in revenues. Refer to page 6 for variance explanations.

Corporate Services (Appendix 9)

<u>Department</u>	<u>YTD March 2015</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Legislative Services	0.28	0.24	(0.04)
Financial Services	0.54	0.65	0.11
ITS	1.95	1.93	(0.02)
Corp. Communications & Community Engagement	0.22	0.34	0.12
Commissioner's Office	0.06	0.08	0.02
Total	3.05	3.24	0.19

Financial Services (Actual \$0.54M – Budget \$0.66M = Variance \$0.11M)

Favourable variance mainly due to four net vacancies.

Corp. Communication and Community Engagement (Actual \$0.22M – Budget \$0.34M = Variance \$0.12M)

Favourable variance mainly due to three net vacancies and higher advertising revenues.

Development Services (Appendix 10)

<u>Department</u>	<u>YTD March 2015</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Economic Development	0.26	0.28	0.02
Commissioner's Office	0.26	0.25	(0.01)
Total	0.52	0.53	0.01

There were no variances greater than \$0.05M.

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 accruals) as part of the June 2015 year-to-date review of operations to be brought forward to General Committee in September 2015.

RECOMMENDED

04/05/2015

04/05/2015

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:**Appendices 1 to 10:**

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

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

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

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

Appendix 5 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2015

Appendix 6 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2015

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2015– CAO’s Office, Human Resources, Legal and Sustainability

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2015– Community and Fire Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2015– Corporate Services

Appendix 10 – Variances by Commission and Department for the three months ended March 31, 2015– Development Services