



Report to: General Committee

Date Report Authored: April 24, 2014

SUBJECT: 2014 March Year-To-Date Review of Operations
PREPARED BY: Andrea Tang, Manager of Financial Planning

RECOMMENDATION:

- 1) THAT the report entitled “2014 March Year-To-Date Review of Operations” be received.

EXECUTIVE SUMMARY:

Council approved the 2014 annual operating budget of \$306.853M on February 11, 2014 which includes the City’s primary 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 2014 operating budget as of March 31, 2014.

Primary Operating Budget (Appendix 1)

(Excluding Planning & Design, Engineering, Building Standards and Waterworks)

Total City operations for March year-to-date incurred net expenditures of \$14.558M against a budget of \$12.709M, resulting in an unfavourable variance of (\$1.849M) including winter maintenance , excluding Planning & Design, Engineering and Waterworks. City operations excluding winter maintenance incurred a favourable variance of \$0.420M:

1. City’s surplus before winter maintenance	\$0.420M
2. Winter maintenance unfavourable variance	(\$2.269M)
Net Deficit	(\$1.849M)

1. City’s Surplus Before Winter Maintenance

City’s surplus before winter maintenance = \$0.420M
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At the end of the first quarter the actual netted operating results against budget before winter maintenance is a favourable variance of \$0.420M and consists of the following revenue and expenditure drivers:

Revenues	Fav./ (Unfav.)	Expenditures	Fav./ (Unfav.)
Investment Income	0.290 M	Salary & benefit costs	(0.346) M
Theatre revenues (ticket sales, registration fees and rental)	0.196 M	Training/travel/promotion/advertising/professional fees/Office Supplies	0.238 M
Federal and Provincial grants	0.067 M	Other	0.163 M
Recreation revenue	(0.179) M		
Parking Fines	(0.094) M		
Other	0.085 M		
Total	0.365 M	Total	0.055 M

2. Winter Maintenance

Winter maintenance unfavourable variance = (\$2.269M)

The 2014 actual winter maintenance expenditures at the end of the first quarter total \$7.974M against a budget of \$5.705M, resulting in an unfavourable variance of (\$2.269M).

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as four 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 as well as for windrow snow clearing services and;
- 4) Sidewalk snow removal

The four 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 (\$2.269M), mainly due to the following components:

- 353 actual service hours as compared to 231 budgeted service hours for sidewalk snow clearing per unit of equipment (\$0.579M);
- 228 actual service hours as compared to 104 budgeted service hours for loader snow removal operation per unit of equipment (\$0.485M);
- 18,200 actual tonnes of salt as compared to budgeted 12,000 tonnes of salt applied on the roads (\$0.474M); and;
- 310 actual service hours as compared to budgeted 270 service hours for tandem operation per unit of equipment (\$0.132M);
- 118 actual service hours as compared to budgeted 71 service hours of grader snow removal operation per unit of equipment (\$0.319M).
- Higher than budgeted Roads and Parks department part-time and over-time to accommodate increased winter maintenance requirements (\$0.188M)
- Other winter maintenance related variance of (\$0.092M)

Planning & Design (Appendix 2)

Planning & Design net unfavourable variance = (\$0.035M)

At the end of the first quarter the actual operating results against budget netted an unfavourable variance of (\$0.035M) due to a personnel unfavourable variance of (\$0.082M) from salary gapping offset by favourable variance of \$0.048M from Planning and Design fees.

Engineering (Appendix 3)

Engineering net favourable variance = \$0.033M

At the end of the first quarter the actual operating results against budget netted a favourable variance of \$0.033M due to higher than budgeted Engineering revenues of \$0.087 offset partially by an unfavourable personnel variance of (\$0.069M) due to salary gapping.

Building Standards (Appendix 4)

Building Standards net unfavourable variance = (\$0.413M)
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At the end of the first quarter the actual operating results against budget netted an unfavourable variance of (\$0.413M) due to salary gapping and timing of building permits issued. In the last quarter of 2013, a number of larger developments submitted building permit applications in order to avoid increased costs associated with complying to a new building code which came into effect on January 1, 2014. However, the department forecasts the revenues will be on budget by year-end.

Waterworks (Appendix 5)

Waterworks net favourable variance = \$0.339M
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At the end of the first quarter the actual operating results against budget netted a favourable variance of \$0.339M, the main drivers of which are:

- Lower than budgeted non-revenue water resulted in a favourable “net sales and purchases” variance of \$0.274M, the February year-to-date actual non-revenue water was 5.7% compared to a budget of 11%;
- Lower personnel costs resulting in a favourable variance of \$0.092M due to an average of six net vacancies.

PURPOSE:

To report on the year-to-date actual 2014 operating budget results versus the calendarized 2014 operating budget as at March 31, 2014.

BACKGROUND

Council approved the 2014 annual operating budget of \$306.853M on February 11, 2014 which includes the City's primary 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 monitor and communicate actual performance to the annual plan and highlight trends and 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:

1. City's Surplus Before Winter Maintenance

At the end of the first quarter the actual operating results before winter maintenance against budget netted a favourable variance of \$0.420M and the breakdown is as follows:

Revenues	\$0.365M
Personnel Expenditures	(\$0.346M)
Non-Personnel Expenditures	<u>\$0.401M</u>
	<u>\$0.420M</u>

REVENUES

At the end of the first quarter, revenues were favourable by \$0.365M, 0.5% higher than budget.

Revenues	Fav./(Unfav.)
General Revenues	\$0.217 M
User Fees & Service Charges	\$0.093 M
Grant & Subsidy Revenues	\$0.067 M
Other Income	(\$0.012) M
Net Variance	\$0.365 M

General Revenues

General revenues were favourable by \$0.217M, the main drivers of which are:

Investment Income

Investment income was favourable by \$0.290M, of which \$0.332M was attributed to higher interest rates offset by lower portfolio balances of (\$0.042M).

Parking Fines

Parking fine revenues were unfavourable by (\$0.094), driven mainly by an increase in visits to the First Attendance Office. To mitigate the situation, the department is exploring opportunities to expand private property enforcement, provide financial incentives to private security companies to attend court hearings, and increase enforcement to address obstruction to accessibility and fire routes.

User Fees and Service Charges

User fees and service charges were favourable by \$0.093M, the main drivers of which are:

Theatre

Theatre revenues were favourable by \$0.196M primarily due to higher ticket sales in the professional entertainment series. The favourable variance in revenue is partially offset by associated higher personnel and non-personnel costs, which resulted in a net favourable variance of \$0.027M.

Recreation

Recreation revenues were unfavourable by (\$0.204M) mainly in aquatics due to the impact of the opening of the Cornell Community Centre. Staff will mitigate the unfavourable variance by offering more private and semi private classes and manage associated expenses. Furthermore, Recreation will be offering a renewed program mix and developing/implementing extra programming opportunities in 2014. The proposed mitigating strategies will take time to take effect and may not offset the anticipated unfavourable variance in 2014.

PERSONNEL EXPENDITURES

At the end of the first quarter, personnel expenditures were unfavourable by (\$0.346M), 1.3% worse than budget .

Salary & Benefits	Fav./(Unfav.)	
Full time net of vacancy backfills and part time salaries	(\$0.017)	M
Overtime and other personnel costs	(\$0.329)	M
Net Variance	(\$0.346)	M

As at March 31, 28 net vacancies and 15 temporary vacancies from approved leaves of absence and secondments resulted in a favourable variance of \$0.705M. This is offset by full year budgeted salary gapping of (\$0.455M) and unfavourable variance of (\$0.267M) for part-time salaries. The main drivers for the unfavourable part-time salaries variance are:

- Legislative Services – Unfavourable variance of (\$0.121M) resulted from coverage for absences due to illness and modified duties in Parking Control (\$0.065M), and (\$0.035M) in Contact Centre to manage high call volumes in January to March (mostly related to winter maintenance).
- Museum – Unfavourable variance of (\$0.055M) driven by training for summer camps and additional part-time expenditures which are offset by grant revenues.
- Theatre – Unfavourable variance of (\$0.019M) which was offset by increased professional entertainment series ticket sales.
- (\$0.072M) – Unfavourable part-time variance from various departments.

Overtime was unfavourable by (\$0.224M) due to coverage for absences in the Fire Department due to illnesses, bereavement or parental leaves (offset partially by a favourable full-time variance of \$0.161M).

NON-PERSONNEL EXPENDITURES

At the end of the first quarter the actual operating results excluding winter maintenance were favourable by \$0.401M, 1.2% lower than budget.

Major drivers for non-personnel variance	Fav./ (Unfav.)	
Training/travel/promotion/advertising/ professional fees/Office Supplies	0.238	M
Other	0.163	M
Total	0.401	M

Highlights of Expenditure Variances

- \$0.238M favourable variance in training, travel, promotion & advertising and professional services and office supplies;
- \$0.163M favourable variance from other drivers including streetlight locates and external legal fees

The City's operating results against budget are provided in Appendix 1.

FINANCIAL RESULTS BY COMMISSION AND DEPARTMENT

The variances for the three months ended March 31, 2014 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 6 to 9. Explanations for variances greater than \$0.100M are provided below.

CAO's Office, HR, Legal and Sustainability (see Appendix 6)

Human Resources (favourable variance of \$0.132M)

Favourable variance mainly in expenses for recruitment \$0.039M, management consulting \$0.028M and training \$0.028M.

Community and Fire Services (Appendix 7)

Asset Management (favourable variance of \$0.299M)

Favourable variance mainly due to four net average vacancies \$0.098M, streetlight locates \$0.081M and streetlight accidents/vandalism \$0.051M.

Fire Services (unfavourable variance of \$0.159M)

Unfavourable variance mainly due to overtime costs. Refer to page 6 for variance explanations.

Corporate Services (Appendix 8)

Legislative Services (unfavourable variance of \$0.284M)

Unfavourable variance mainly due to part-time variance of (\$0.121M) and revenues variance of (\$0.150M) mainly due to lower parking fine revenues of \$0.094. Refer to page 5 and 6 for the part-time and revenues variance explanations.

Financial Services (favourable variance of \$0.189M)

Favourable variance mainly due to four net average vacancies.

Corporate Communication and Community Engagement (favourable variance of \$0.142M)

Favourable variance mainly in rinkboard advertising revenues \$0.048M and sponsorship revenues \$0.031M.

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 adjustments) as part of the June 2014 year-to-date review of operations and it will be brought forward to General Committee in September 2014.

RECOMMENDED

22/05/2014

22/05/2014

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Joel Lustig
Treasurer

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Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Appendices 1 to 9:

Appendix 1 – Primary Operating Budget - Financial Results for the Three Months Ended March 31, 2014

Appendix 2 – Planning & Design Operating Budget - Financial Results for the Three Months Ended March 31, 2014

Appendix 3 – Engineering Operating Budget - Financial Results for the Three Months Ended March 31, 2014

Appendix 4 – Building Standards Operating Budget - Financial Results for the Three Months Ended March 31, 2014

Appendix 5 – Waterworks Operating Budget - Financial Results for the Three Months Ended March 31, 2014

Appendix 6 – Variances by Commission and Department for the three months ended March 31, 2014– CAO's Office, Human Resources, Legal and Sustainability

Appendix 7 – Variances by Commission and Department for the three months ended March 31, 2014– Community and Fire Services

Appendix 8 – Variances by Commission and Department for the three months ended March 31, 2014– Corporate Services

Appendix 9 – Variances by Commission and Department for the three months ended March 31, 2014– Development Services