2013 September Year-To-Date (YTD) Review of Operations and Year- End Projection

General Committee

November 18, 2013

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2013 September Year-To-Date (YTD) Review of Operations and Year-End Projection

The report provides an overview of the 2013 September year-to-date actual operating results versus the calendarized operating budget and a forecast of the year-end results to the annual plan.

Council approved the 2013 annual operating budget on January 29, 2013 of $294.500M which includes:

Budget	Annual Budget (in $M)
Primary Operating Budget	180.810
Planning & Design	8.407
Engineering	6.467
Building Standards	9.026
Waterworks	89.790
Total	**294.500**

Details of the YTD variance to budget and the year-end projections are outlined in this presentation.

2013 September Year-To-Date (YTD) Review of Operations
Primary Operating Budget

Favourable Variance of $0.190M

Revenues
Favourable variance
of $0.308M
0.2% of YTD Budget

Personnel Expenditures
Favourable variance
of $0.237M
0.3% of YTD Budget

Non-Personnel Expenditures
Unfavourable variance
of ($0.355M)
(0.7%) of YTD Budget

Major drivers for revenue variance	Fav./ (Unfav.)	
Theatre revenues (ticket sales, registration fees and rental)	0.268	M
Property tax interest and penalties	0.251	M
Federal and Provincial grants	0.203	M
Provincial Offences Act (POA) fines	0.137	M
Museum program registration fees	0.119	M
Parks sportsfield rental and hydro recoveries	0.106	M
Snowplow recoveries from unassumed subdivisions	0.104	M
Recreation revenue	(1.376)	M
Other	0.496	M
Total	**0.308**	**M**

Major drivers for personnel variance	Fav./ (Unfav.)	
Full time salaries net of vacancy backfills and part time salaries	0.982	M
Overtime & other personnel costs	(0.745)	M
Total	**0.237**	**M**

Major drivers for non-personnel variance	Fav./ (Unfav.)	
Winter maintenance	(1.125)	M
Non-personnel expenditure gapping	(0.341)	M
Property tax write-offs, vacancy tax rebate	(0.310)	M
Street light hydro	(0.238)	M
Theatre professional entertainment fees	(0.108)	M
External Legal costs	(0.107)	M
Maintenance and repairs	0.204	M
Waste collection	0.306	M
Operation materials and supplies	0.348	M
Training/travel/promotion/advertising/ professional fees	0.360	M
Contract service agreements	0.810	M
Other	(0.154)	M
Total	**(0.355)**	**M**

2013 Year End Projection Primary Operating Budget

Results from business operations before year-end accounting adjustments ($0.500M) to ($1.100M) unfavourable

Revenues
Unfavourable ($1.000M) to ($1.400M)
(0.6%) to (0.8%) of annual budget

Main drivers are:

- Under subscription in community centre programs offered by Recreation (primarily fitness membership, aquatics and program registration) and lower supplemental taxes

Offset by:

- Culture programs
- POA fines
- Government grants
- Property tax interest and penalties
- Snowplow recoveries from unassumed subdivisions

Expenditures
Favourable $0.300M to $0.500M
0.2% to 0.3% of annual budget

Main drivers are:

- Net personnel costs (excluding fire overtime)
- Corporate contingency
- Lower waste tonnage
- Contract service agreements (asphalt repairs contract pricing)

Offset by:

- Winter maintenance costs
- Streetlight hydro pricing
- Non-personnel gapping
- Theatre professional entertainment fees
- Fire overtime

Staff have incorporated mitigating strategies to reduce discretionary expenditures to partially offset unfavourable variances. Overall a net balanced budget will be achieved save and except for winter maintenance operations and streetlight hydro.

Staff recommend the year-end deficit before accounting adjustments be funded from the Corporate Rate Stabilization Reserve as presented with the July report.

2013 Year End Projection
Primary Operating Budget

Year-end accounting adjustments
($2.000M) to ($2.500M) unfavourable

- Year-end accounting adjustments are not budgeted for by the City and include items such as vacation accruals, Firefighters sick leave, 27th pay, severance and salary continuance, and post retirement benefits.

- Markham provides several employee benefits such as WSIB, long term disability benefits ("LTD"), post-retirement benefits and vested sick leave benefits for Firefighters, the future liability for which are determined through an actuarial valuation and reported on the financial statements, as recommended by the Public Sector Accounting Board ("PSAB").

- Management, on approval from City Council, has set aside funds specifically for the financing of future costs.

- An actuarial analysis of the LTD accrued benefit obligation has identified an over contribution to the reserve by approximately $2.000M to $2.500M

Staff recommend the year-end accounting adjustments be funded from the LTD reserve

2013 September Year-To-Date (YTD) Review of Operations
Planning & Design

Unfavourable Variance of ($2.143M)

Revenues	Personnel	Non-Personnel
Unfavourable Variance ($2.114M)	Unfavourable Variance ($0.011M)	Unfavourable Variance ($0.018M)
(35.6%) of YTD Budget	*(0.3%) of YTD Budget*	*(1.3%) of YTD Budget*

Unfavourable variance of ($2.143M) YTD is mainly due to lower revenues resulting from timing of the development application submission. Higher development application activity in the last quarter of 2012 was the result of developer agreements being submitted prior to the Regional deadline for Development Charge (DC) increases and resulted in lower activity in 2013.

2013 Year End Projection

Budgeted surplus	$1.333M
Projected deficit	<u>($0.900M)</u>
Unfavourable Variance	($2.233M)
<u>Reserve Impact</u>	
Draw from Reserve	($0.900M)

2013 September Year-To-Date (YTD) Review of Operations
Engineering

Unfavourable Variance of ($0.018M)

Revenues	Personnel	Non-Personnel
Unfavourable Variance ($0.482M)	Favourable Variance $0.438M	Favourable Variance $0.026M
(16.2%) of YTD Budget	*13.0% of YTD Budget*	*1.7% of YTD Budget*

Unfavourable variance of ($0.018M) is mainly due to lower personnel expenditures from an average of 5 net vacancies offset by an unfavourable revenue variance due to lower than anticipated development activity.

2013 Year End Projection

Budgeted deficit	($0.649M)
Projected deficit	($0.450M)
Fav./ (Unfav.) Variance	$0.199M
Reserve Impact	
Draw from Reserve	($0.450M)

Planning & Engineering Reserve Balance
($ in millions)

	2013 Budget	2013 Projection
Opening Balance at January 1, 2013	(0.907)	(0.907)
Transfer to Capital and Interest Income	(0.010)	(0.010)
Transfer to/(from) Reserves		
Planning & Design	1.333	(0.900)
Engineering	(0.649)	(0.450)
Planning & Engineering Reserve Ending Balance	**(0.233)**	**(2.267)**

2013 September Year-To-Date (YTD) Review of Operations
Building Standards

($ in millions)

Unfavourable Variance of ($0.978M)

Revenues	Personnel	Non-Personnel
Unfavourable Variance ($1.267M)	Favourable Variance $0.277M	Favourable Variance $0.012M
(20.0%) of YTD Budget	*7.2% of YTD Budget*	*0.7% of YTD Budget*

Unfavourable variance of ($0.978M) compared to budget is due to lower number of permits issued than budgeted.

2013 Year End Projection

Budgeted surplus	$1.248M
Projected surplus/ (deficit)	<u>$0.190M</u>
Unfavourable Variance	($1.058M)
<u>Reserve Impact</u>	
Transfer to Reserve	$0.190M

Building Reserve Balance

($ in millions)

	2013 Budget	2013 Projection
Opening Balance at January 1, 2013	11.887	11.887
Transfer to Capital and Interest Income	0.004	0.004
Transfer to/(from) Reserves	1.248	0.190
Building Reserve Ending Balance	**13.139**	**12.081**

2013 September Year-To-Date (YTD) Review of Operations Waterworks

($ in millions)

Unfavourable Variance of ($2.706M) vs. Budget

Sales & Purchases (net)	Revenues	Personnel	Non-Personnel
Unfavourable Variance	Unfavourable Variance	Favourable Variance	Favourable Variance
($2.971M)	($0.109M)	$0.210M	$0.164M
(15.5%) of YTD Budget	*(12.3%) of YTD Budget*	*4.2% of YTD Budget*	*3.3% of YTD Budget*

Unfavourable variance of ($2.706M) mainly due to higher non-revenue water and lower sales volume, partially offset by higher revenues from water meter installations and lower Personnel and Non-Personnel costs.

2013 Year End Projection

	From	To
Budgeted Surplus	$ 13.784M	$ 13.784M
Projected Surplus	$ 12.284M	$ 12.784M
Projected Unfavourable Variance	($ 1.500M)	($ 1.000M)

Reserve Impact

$13.784M was transferred to the reserve at the time of budget approval.
Adjustments to the reserve will be made based on the actual results at year-end.

Waterworks Reserve Balance

($ in millions)

	2013 Budget	2013 Projection From	2013 Projection To
Opening Balance - January 1, 2013	19.860	19.860	19.860
Transfer to/(from) Reserves at time of budget approval	13.784	13.784	13.784
Transfer from Reserve for 2012 year-end unfavourable variance	(0.696)	(0.696)	(0.696)
Transfer to Capital	(9.408)	(9.408)	(9.408)
Transfer from Interest Income	0.168	0.168	0.168
Transfer from closed capital projects	0.000	7.950	7.950
Transfer from Reserve for year-end deficit	0.000	(1.500)	(1.000)
Waterworks Reserve Ending Balance	**23.708**	**30.158**	**30.658**

Next Steps

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