

**City of Markham
2012 Year End Review of Operations**

General Committee

March 18, 2012

Introduction

Council approved the 2012 operating budget on February 7, 2012 which includes the City's primary operating budget, Planning & Design operating budget, Engineering operating budget, Building Services 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 Services and Waterworks operating budgets are primarily user fee funded (e.g. planning and engineering fees, building permit revenue and revenues based on water consumption respectively) to support the department's day-to-day operations and capital programs, and separate reserves have been established.

This presentation provides an overview of the financial results for the twelve months ended December 31, 2012.

2012 Year End Results of Operations

Primary Operating Budget

(excluding Planning & Design, Engineering, Building Services and Waterworks)
(\$ in millions)

Favourable Variance Before Year End Accounting Adjustments of \$3.324M

Revenues
Favourable Variance
\$1.984M
1.16% of Budget

Personnel Expenditures
Favourable Variance
\$1.370M
1.35% of Budget

Non-Personnel Expenditures
Unfavourable Variance
(\$0.030M)
(0.04% of Budget)

Major drivers for revenue variance	Fav./(Unfav.)
Supplemental tax revenue	0.737 M
Theatre revenues (ticket sales, registration fees and rental)	0.487 M
Financial services and legal administrative fees	0.452 M
User fees and service charges - Asset Management, Finance and Museum	0.383 M
Recreation revenue (fitness memberships -\$0.289M and gym/hall rentals -\$0.163M)	(0.413) M

Major drivers for personnel variance	Fav./(Unfav.)
Full time salaries net of vacancy backfills and part time salaries	1.698 M
Overtime	(0.249) M

Major drivers for non-personnel variance	Fav./(Unfav.)
Winter maintenance	1.632 M
Training/travel/promotion/advertising/professional fees	0.425 M
Waste Collection	0.332 M
Theatre professional entertainment fees	(0.415) M
Property Tax Write-off	(0.489) M
Streetlight maintenance	(0.560) M
PowerStream Hydro Interest (transfer to reserve)	(1.000) M

2012 Year End Results of Operations

Primary Operating Budget

(excluding Planning & Design, Engineering, Building Services and Waterworks)
(\$ in millions)

Surplus before Year End Accounting Adjustment	\$3.324M
Year End Accounting Adjustments	<u>(\$2.454M)</u>
Year End Net Surplus	<u>\$0.870M</u>

City's Reserve Policy:

2012 Tax Revenue Budget

\$119.868M
X <u>15%</u>
\$ 17.980M
\$ <u>17.099M</u>
\$ 0.881M

Corporate Rate Stabilization Balance should be
Corporate Rate Stabilization Balance at December 31, 2012
Top up requirement to achieve 15% threshold

The year end net surplus of \$0.870M will be transferred to the Corporate Stabilization Reserve to be in compliance with the policy.

2012 Year End Results of Operations Planning & Design Operating Budget

(\$ in millions)

Favourable Variance of \$1.084M

Revenues

Favourable Variance \$0.948M
15.37% of Budget

Personnel Expenditures

Favourable Variance \$0.157M
3.11% of Budget

Non-Personnel Expenditures
Favourable Variance(\$0.021M)
(1.25%) of Budget

Favourable variance of \$1.084M compared to budget is due to higher revenues resulting from the delay in servicing allocation in 2011 that led to higher development application activities in 2012, and lower personnel expenditures resulting from two average net vacancies.

Budgeted deficit (\$0.557M)
Actual surplus \$0.527M
Favourable variance \$1.084M

Reserve Impact
Transfer to reserve \$0.527M

2012 Year End Results of Operations

Engineering Operating Budget

(\$ in millions)

Favourable Variance of \$2.377M

Revenues

Favourable Variance \$1.848M
33.93% of Budget

Personnel Expenditures

Favourable Variance \$0.480M
11.15% of Budget

Non-Personnel Expenditures

Favourable Variance \$0.049M
2.38% of Budget

Favourable variance of \$2.377M compared to budget is due to higher revenues resulting from the delay in servicing allocation in 2011 that led to higher development application activities in 2012, and lower personnel expenditures from three average net vacancies.

Budgeted deficit

(\$0.914M)

Actual surplus

\$1.463M

Favourable variance

\$2.377M

Reserve Impact

Transfer to reserve

\$1.463M

Planning & Engineering Development Fee Reserve

(\$ in millions)

	2012 Budget	2012 Actual	Variance Fav./ (Unfav.)
Opening Balance at January 1, 2012	(2.455)	(2.455)	0.000
Transfer to Capital and Interest Income	(0.521)	(0.421)	0.100
Transfer to/(from) Reserves			
Planning & Design	(0.557)	0.527	1.084
Engineering	(0.914)	1.463	2.377
Planning & Engineering Reserve Ending Balance	(4.447)	(0.886)	3.561

2012 Year End Results of Operations

Building Standards Operating Budget

(\$ in millions)

Favourable Variance of \$4.715M

Revenues

Favourable Variance \$4.347M
54.52% of Budget

Personnel Expenditures

Favourable Variance \$0.347M
6.57% of Budget

Non-Personnel Expenditures
Favourable Variance \$0.021M
0.94% of Budget

Favourable variance of \$4.715M compared to budget due to higher number of permits issued and lower personnel expenditures resulting from one average net vacancy.

Budgeted surplus

\$0.470M

Actual surplus

\$5.185M

Favourable variance

\$4.715M

Reserve Impact

Transfer to reserve

\$5.185M

Building Fee Reserve

(\$ in millions)

	2012 Budget	2012 Actual	Variance Fav./(Unfav.)
Opening Balance at January 1, 2012	6.630	6.630	0.000
Transfer to Capital and Interest Income	0.072	0.035	0.037
Transfer to Reserves	0.470	5.185	4.715
Building Standards Reserve Ending Balance	7.172	11.850	4.678

2012 Year End Results of Operations

Waterworks Operating Budget

(\$ in millions)

Unfavourable Variance of (\$0.696M)

Sales & Purchases (net)
Unfavourable Variance
(\$2.031M)
(8.47%) of Budget

Revenues
Favourable Variance
\$1.065M
117.94% of Budget

Personnel Expenditures
Favourable Variance
\$0.261M
4.05% of Budget

Non-Personnel Expenditures
Favourable Variance
\$0.009M
0.14% of Budget

Unfavourable variance of (\$0.696M) mainly due to higher non-revenue water, partially offset by higher revenues from water meter installations and other related services resulting from higher development activities, and lower personnel and non-personnel costs.

Budgeted Surplus

Actual Surplus

Unfavourable variance

\$12.086M

\$11.390M

(\$ 0.696M)

Reserve Impact

\$12.086M was transferred to the reserve at the time of budget approval. A draw in the amount of \$0.696M will be made from the reserve to balance the budget.

Waterworks Reserve Balance

(\$ in millions)

	2012 Budget	2012 Actual	Variance Fav./(Unfav.)
Opening Balance - January 1, 2012	15.362	15.362	0.000
Transfer to/(from) Reserves at time of budget approval	12.086	12.086	0.000
Transfer from Reserve for 2011 year-end unfavourable variance	(2.421)	(2.421)	0.000
Transfer to Capital	(9.498)	(9.498)	0.000
Transfer from Interest Income	0.089	0.157	0.068
Transfer from closed capital projects	0.000	4.174	4.174
Waterworks Reserve Ending Balance	15.618	19.860	4.242

Next Steps

- The 2012 unaudited draft financial statements, excluding Markham Enterprise Corporation (MEC), will be presented to General Committee in April 2013.