



Report to: **General Committee – Finance & Admin.** Date of Meeting: September 19, 2011

SUBJECT: June 2011 Year-To-Date Review of Operations and Year-End Projection

PREPARED BY: Andrea Tang, Manager Financial Planning

RECOMMENDATION:

THAT the report dated September 19, 2011 entitled “June 2011 Year-To-Date Review of Operations and Year-end Projection” be received.

EXECUTIVE SUMMARY:

Town

At the end of June 2011, the operating budget results (excluding Planning & Design, Engineering, Building Standards and Waterworks) reflect a favourable variance of \$1.115M. The \$1.115M favourable variance is comprised of favourable variances in Revenues \$0.827M and in Expenditures of \$0.288M, as shown below:

Revenues	Fav./ (Unfav.)	
Supplemental Tax Revenue	0.470	M
Investment Income	0.235	M
Financial Admin Fees and Legal Fees from Developers	0.211	M
Interest and Penalties	0.086	M
Recreation Revenue - lower fitness membership	(0.188)	M
Other	0.013	M
Total	0.827	M

Expenditures	Fav./ (Unfav.)	
Salary & Benefit Costs	0.575	M
Winter Maintenance	(0.969)	M
Training/Travel/Promotion/Advertising/ Professional Fees	0.482	M
Operating Material & Supplies and Maintenance Repairs	0.238	M
Contracted Services	0.177	M
Non-personnel Expenditure Gapping	(0.242)	M
Other	0.027	M
Total	0.288	M

Town's Net Favourable Variance = \$1.115M
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Planning & Design

Planning & Design ended June with a year-to-date favourable variance of \$0.346M. This was due to a favourable variance of \$0.220M in personnel and non-personnel costs and a favourable variance of \$0.126M in revenues.

Planning & Design Net Favourable Variance = \$0.346M

Engineering

Engineering ended June with a year-to-date favourable variance of \$0.661M. This was due to a favourable variance of \$0.467M in personnel and non-personnel costs and a favourable variance of \$0.194M in revenues.

Engineering Net Favourable Variance = \$0.661M

Building Standards

Building Standards ended June year-to-date favourable by \$3.709M. This was due to a favourable variance of \$3.310M in revenues, and total favourable variance of \$0.399 in personnel and non-personnel costs.

Building Standards Net Favourable Variance = \$3.709M
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Waterworks

Waterworks ended June with a year-to-date favourable variance of \$0.031M. This variance was due to total favourable variance of \$0.310M in personnel and non-personnel costs, and favourable variance of \$0.150M in other revenues, partially offset by an unfavourable variance of (\$0.429M) in the net water sales and purchases.

Waterworks Net Favourable Variance = \$0.031M
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PURPOSE:

To provide an overview of the year-to-date financial results at the end of June 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 Standards and Waterworks) is to support the Town's day-to-day operations.

The remaining 4 budgets include Planning & Design, Engineering, Building Standards 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 six months, the 2011 operating budget (excluding Planning & Design, Engineering, Building Standards and Waterworks) results reflected an overall \$1.115M favourable variance.

The \$1.115M favourable variance was comprised of variances in three main areas of the Town's operating budget:

\$0.827M	favourable variance in Revenues
\$0.575M	favourable variance in Personnel Expenditures
<u>(\$0.287M)</u>	unfavourable variance in Non-Personnel Expenditures
<u>\$1.115M</u>	

In summary, the \$1.115M favourable variance is driven by favourable revenues of \$0.827M from higher supplemental tax revenue and investment income, favourable variance of \$0.575M in salaries and benefits resulting from 50 net full-time vacancies and favourable variance from training, professional services, advertising and promotion of \$0.587M; partially offset by unfavourable winter maintenance (\$0.969M).

REVENUES

At the end of June 2011, revenues were favourable by \$0.827M due to the followings:

Revenue Items	Fav./(Unfav.)
Taxation Revenues	\$0.470 M
General Revenues	\$0.257 M
Grant & Subsidy Revenues	\$0.015 M
User Fees and Service Charges	(\$0.197) M
Other Income	\$0.282 M
Net Favourable Variance	\$0.827 M

Taxation Revenues

The favourable variance of \$0.470M was due to higher supplemental property taxes revenue resulted from more properties being assessed by the Municipal Property Assessment Corporation (MPAC) than budgeted.

General Revenues

The favourable variance of \$0.257M was primarily due to investment income of \$0.235M of which \$0.505M was due to the interest rate, offset by unfavourable variance of (\$0.270M) due to portfolio balance.

User Fees and Service Charges

The unfavourable variance of (\$0.197M) was primarily due to the unfavourable Recreation revenue in fitness membership (\$0.188M). Recreation staff identified that the unfavourable fitness revenue is associated with an overall decline in fitness centre participation (both new and renewal memberships have declined significantly) which corresponds with an overall industry decline in fitness participation, increased competition and a natural decline post construction of our fitness facilities. A comprehensive Marketing Plan has been developed to further promote fitness memberships.

Other Income

The favourable variance of \$0.282M was primarily from higher financial administrative fees and legal fees from developers \$0.211M and interest and penalties \$0.086M.

PERSONNEL EXPENDITURES

The June year-to-date personnel expenditure variance was \$0.575M favourable:

Salary Expenditures Items	Fav./(Unfav.)
Full Time Salaries net of vacancy backfills	\$0.703 M
Overtime	(\$0.142) M
Other Personnel Costs	\$0.014 M
Salaries & Benefits Favourable Variance	\$0.575 M

The net \$0.703M favourable variance in full time salaries net of vacancy backfills was the result of 50 net vacant positions (includes annual salary gapping of \$0.455M). The unfavourable variance of (\$0.142M) in overtime was due to the Fire Department (\$0.059M) and Operations (winter maintenance) (\$0.046M).

NON-PERSONNEL EXPENDITURES

At the end of June, Non-Personnel expenditures were (\$0.287M) unfavourable.

Non-Salary Items	Fav. / (Unfav.)
Materials & Supplies	\$0.088 M
Purchased Services	(\$0.104 M)
Other Expenditures	(\$0.271 M)
Total Non-Salary Unfavourable Variance	(\$0.287 M)

Materials & Supplies

At the end of June, Materials and Supplies were slightly favourable and below identifies the status of the accounts within this category:

- \$0.238M favourable variance in operating materials;
- (\$0.154M) unfavourable variance in winter maintenance driven primarily by higher usage of salt due to higher than budgeted number of storms;

Purchased Services

The unfavourable variance of (\$0.104M) 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);
- \$0.482M favourable variance in training, travel, promotion & advertising, and professional services;
- \$0.177M favourable variance in contracted services within the Asset Management, Parks and Roads departments.

Other Expenditures

The unfavourable variance of (\$0.271M) was primarily due to the budgeted non-personnel gapping savings of (\$0.242M).

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 \$0.346M at the end of June (see Appendix 2) due to lower personnel and non-personnel costs of \$0.220M, and higher user fees of \$0.126M.

ENGINEERING

Engineering reported a year-to-date favourable variance of \$0.661M (see Appendix 3). The favourable variance of \$0.467M in personnel and non-personnel expenditures, and favourable revenue variance of \$0.194M from higher user fees than budget.

BUILDING STANDARDS

Building Standards reported a favorable variance of \$3.709M at the end of six months (refer to Appendix 4) due to a favourable variance in revenue of \$3.310M resulting from higher building permit activity and a favourable variance of \$0.399M in personnel and non-personnel costs.

WATERWORKS

Waterworks reported a year-to-date favourable variance of \$0.031M at the end of June (see Appendix 6).

The favourable variance was due to favourable variances in personnel costs of \$0.168M as a result of an average of 8 vacancies, non-personnel cost of \$0.142M, user fees and Service charges \$0.150M; partially offset by an unfavourable net water sales and purchases of (\$0.429M);

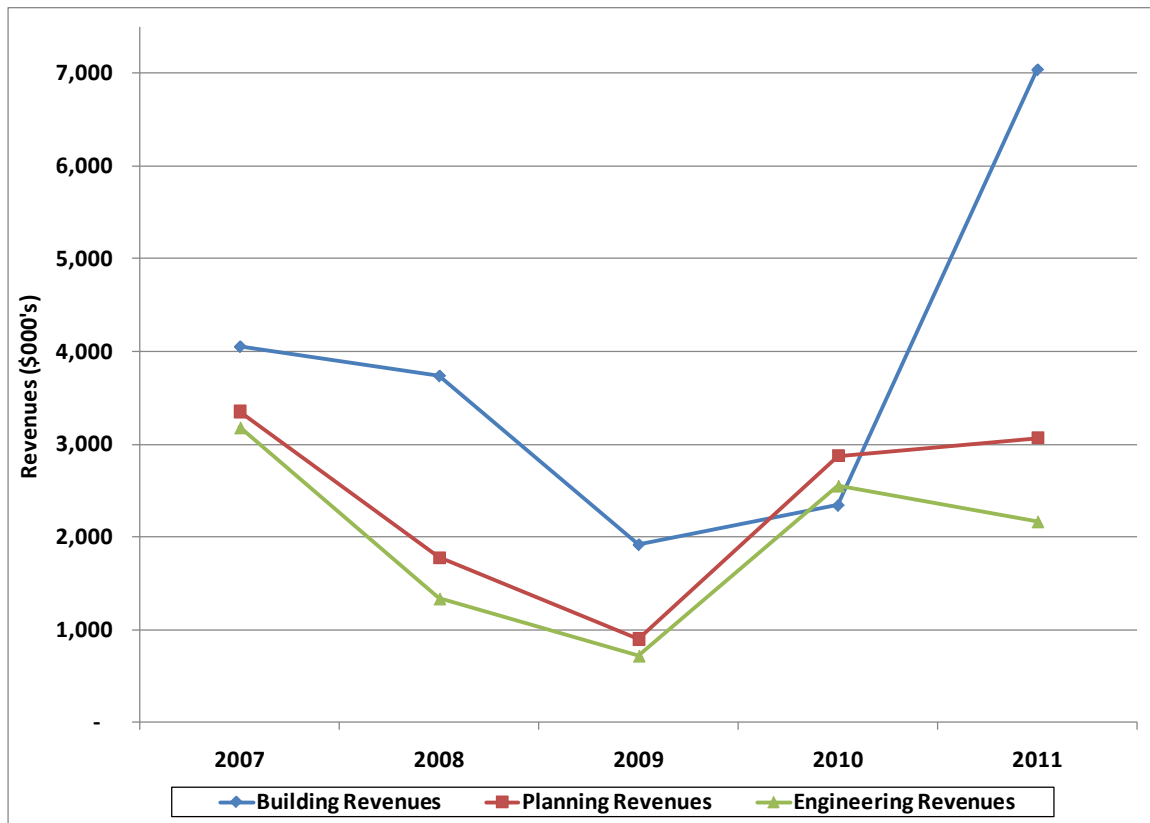
ECONOMIC KEY INDICATORS

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 June 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 Standards continued to grow in the second quarter in 2011 compared to the second quarter in 2010. Building Standards showed a significant growth in the second quarter which resulted from increased development activities. Planning was marginally higher in 2011 compared to the June YTD 2010. Engineering showed a slight decrease in 2011 when compared to the same period in 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 second quarter of 2010 and 2011.

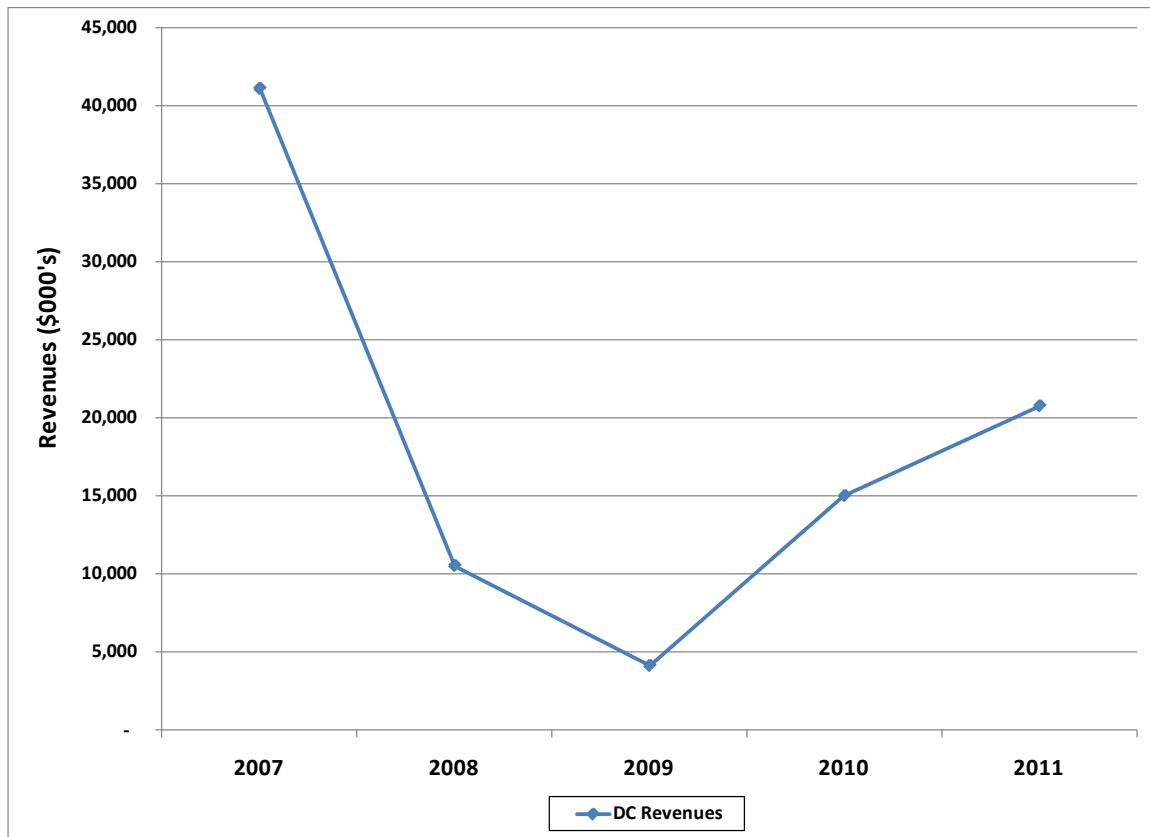
YTD June Actual Development Related Revenues



Development Charges (DC) Revenues

The DC revenues in the second quarter of 2011 continues to grow while compared to the same period 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.

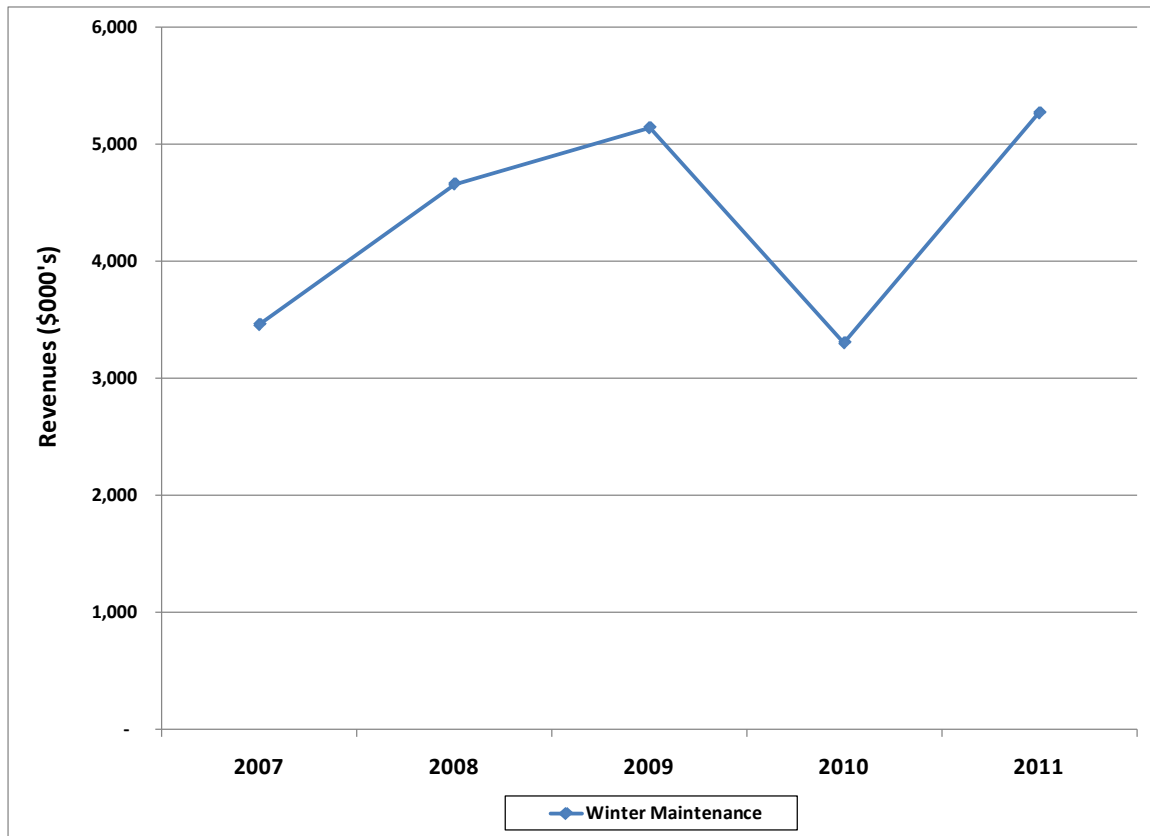
YTD June Actual DC Revenues



Expenditures

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

YTD June 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 second quarter actuals.

YEAR-END PROJECTION

Town

Based on the June year-to-date results, it is anticipated that the year-end projection will range from being on budget to \$1.500M favourable including funding for the year-end accounting accruals of \$2.200M.

It is expected that the year-end revenue variance will range from being on budget to \$1.000M favourable resulting from higher Supplement Tax Revenue, Financial Services Administration Fees and Legal Fees from Developers, and investment income partially offset by lower Recreation Revenues primarily due to lower fitness membership revenue.

The year-end expenditure variance will range from being on budget to \$0.500M favourable. This variance is due to favourable personnel expenditures resulting from vacancies and lower than budgeted costs from professional services, advertising & promotion, contracted services and operating material and supplies, offset by unfavourable winter maintenance.

Planning & Design and Engineering

Planning & Design is projecting a year-end surplus of \$1.530M compared to a budgeted surplus of \$1.003M. This will result in an additional transfer to reserves of \$0.527M compared to budget.

Engineering is projecting a year-end deficit of (\$0.060M) compared to a budgeted deficit of (\$1.035M) compared to budget that result in a lower draw from the reserves by \$0.975M.

Building Standards is projecting a year-end surplus of \$4.065M compared to a budgeted deficit of (\$0.811M). This will result in a transfer to reserves of \$4.065M.

Waterworks


Based on the June year-to-date results, Waterworks is projected to be in the range of unfavourable by (\$0.500M) to being on budget by year end, mainly due to lower water sales and higher unmetered usage, which offset by the favourable variance from personnel expenditures resulting from vacancies.

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.

RECOMMENDED BY:

14/09/2011

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Joel Lustig
Treasurer

14/09/2011

X 
Andy Taylor
Chief Administrative Officer

ATTACHMENTS:

[Appendix 1 – Operating Budget - Financial Results for the Six months Ended June 30, 2011](#)

[Appendix 2 – Operating Budget for Planning & Design - Financial Results for the Six months Ended June 30, 2011](#)

[Appendix 3 – Operating Budget for Engineering - Financial Results for the Six months Ended June 30, 2011](#)

[Appendix 4 – Operating Budget for Building Standards - Financial Results for the Six months Ended June 30, 2011](#)

[Appendix 5 – Development Services Reserve Balances – As at June 30, 2011](#)

[Appendix 6 – Operating Budget for Waterworks - Financial Results for the Six months Ended June 30, 2011](#)