

Vision: *The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.*



Agenda

Audit Committee

meeting to be held

Wednesday, June 22nd, 2011

at 4:00 pm

Council Chamber, Tom Davies Square

AUDIT COMMITTEE AGENDA

For the 7th Audit Committee Meeting
to be held on **Wednesday, June 22, 2011**
Council Chamber, Tom Davies Square at 4:00 pm

COUNCILLOR CLAUDE BERTHIAUME, CHAIR

Evelyn Dutrisac, Vice-Chair

(Please ensure that cell phones and pagers are turned off)

The Council Chamber of **Tom Davies Square** is accessible to persons with disabilities. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerks Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 674-4455, extension 2471. Telecommunications Device for the Deaf (TTY) (705) 688-3919. Copies of Agendas can be viewed at www.greatersudbury.ca/agendas/.

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. Report dated June 15, 2011 from the Chief Financial Officer/City Treasurer regarding 2010 Audit Findings Report. **5 - 6**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)
 - Wayne McDonald, CA, KPMG LLP

(This report provides the audit findings with respect to the 2010 year-end.)
2. Report dated June 13, 2011 from the Chief Financial Officer/City Treasurer regarding 2010 Annual Financial Statements. **7 - 7**
(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)
 - Lorella Hayes, Chief Financial Officer/City Treasurer

(This report recommends that the Audit Committee adopt the Consolidated Financial Statements of the City of Greater Sudbury for the year ended December 31, 2010.)

CORRESPONDENCE FOR INFORMATION ONLY

3. Report dated June 16, 2011 from the Chief Financial Officer/City Treasurer regarding Consolidated Reserves and Reserve Funds Balances as of December 31, 2010. **8 - 19**
(FOR INFORMATION ONLY)

(This report advises of the balances in the Reserves and Reserve Funds at December 31, 2010.)

MANAGERS' REPORTS

4. Report dated June 15, 2011 from the Chief Financial Officer/City Treasurer regarding 2010 Year End Operating Budget Variance Report. **20 - 24**
(RESOLUTION PREPARED)

(This report provides Council with a year end position based on the expenditures and revenues for the year ended December 31, 2010.)
5. Report dated June 15, 2011 from the Chief Financial Officer/City Treasurer regarding 2010 Water Wastewater Variance Report. **25 - 28**
(RESOLUTION PREPARED)

(This report provides Council with a year end position for the Water Wastewater Division based on the expenditures and revenues for the year ended December 31, 2010.)
6. Report dated June 16, 2011 from the Chief Financial Officer/City Treasurer regarding 2011 Operating Budget Variance Report - March. **29 - 30**
(RESOLUTION PREPARED)

(This report identifies the areas of concern in the 2011 Operating Budget as of March 31, 2011.)

Adjournment (Resolution Prepared)

CAROLINE HALLSWORTH, EXECUTIVE DIRECTOR, ADMINISTRATIVE SERVICES/CITY CLERK

LIZ COLLIN, COUNCIL SECRETARY

For Information Only

2010 Audit Findings Report

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Wednesday, Jun 15, 2011
Type:	Presentations

Recommendation

For information only.

BACKGROUND

For entities with public accountability, auditing standards now require auditors to communicate specific information to an Audit Committee. The City's auditors will be presenting their Audit Findings Report with respect to the 2010 year-end to the Audit Committee on June 22, 2011. Their presentation will cover the following issues:

- Audit Opinion
- Independence
- Audit Highlights and Findings
- Current Developments
- Performance Improvement Observations

Signed By

Report Prepared By

Jim Lister
Co-ordinator of Accounting
Digitally Signed Jun 15, 11

Division Review

Paddy Buchanan
Manager of Accounting
Digitally Signed Jun 15, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 15, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 15, 11

The purpose of their presentation will be to communicate to the Committee a summary of any significant findings and other matters which our auditors believe should be brought to your attention, thereby assisting this Committee with respect to their review and recommendation to Council for approval of the 2010 Financial Statements.

In addition to reporting all financial transactions appropriately following Generally Accepted Accounting Principles, management also has a responsibility to apply their best judgement at the time in preparing accounting estimates and/or disclosures in the financial statements.

The concept of materiality is applied in determining whether or not the statements are considered to be a fair representation. Materiality includes both qualitative and quantitative factors which are assessed in the light of whether or not they may be likely to influence the decisions made by persons relying on the financial statements. The auditors will confirm that they have reviewed uncorrected financial statement misstatements. Management has reviewed the misstatements and determined that individually and in aggregate they are not material to the financial statements.

A further requirement of any audit is to obtain sufficient understanding of internal controls and to test those internal controls so that the auditor can place reliance on them as part of the audit. The Audit Findings Report will comment on any material weaknesses that have been identified as part of the audit.

Request for Decision

2010 Annual Financial Statements

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Monday, Jun 13, 2011
Type:	Presentations

Recommendation

THAT the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2010 as presented be accepted and recommended for Council approval.

Background

The Consolidated Financial Statements of the City of Greater Sudbury and the City of Greater Sudbury Trust funds for the year ended December 31, 2010 will be tabled at the meeting. These financial statements have been audited and the Audit Report expresses an unqualified audit opinion.

At a later date, you will receive a comprehensive package that includes the following financial reports for the year ended December 31, 2010:

- Consolidated Financial Statements of the City of Greater Sudbury
- Ministry Consolidated Financial Information Return for the City of Greater Sudbury
- Financial Statements of the City of Greater Sudbury Trust Funds
- Financial Statements of the Sudbury Airport Community Development Corporation
- Consolidated Financial Statements of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Financial Statements of Downtown Sudbury (formerly the Sudbury Metro Centre)
- Financial Statements of the Sudbury and District Health Unit
- Financial Statements of the Greater Sudbury Housing Corporation
- Financial Statements of the Sudbury Community Development Corporation
- Financial Statements of the City of Greater Sudbury Community Development Corporation

Signed By

Report Prepared By

Jim Lister
Co-ordinator of Accounting
Digitally Signed Jun 13, 11

Division Review

Paddy Buchanan
Manager of Accounting
Digitally Signed Jun 13, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 13, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 14, 11

For Information Only

Consolidated Reserves and Reserve Funds Balances as of December 31, 2010

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Thursday, Jun 16, 2011
Type:	Correspondence for Information Only

Recommendation

For information only.

EXECUTIVE SUMMARY:

The purpose of this report is to provide Council with a snapshot of the audited balances in the reserve and reserve funds at December 31, 2010.

This report is an update from the reports provided to the Finance Committee during 2011 Budget deliberations.

Overall, the consolidated reserve and reserve funds have increased during 2010 by \$9.9 million to \$91.6 million from \$81.7 million at December 31, 2009.

In summary, the following are the highlights:

Balance - January 1 (non-consolidated)	\$ 80.5 million
Add: Interest	1.7 million
Contribution from Corporate Surplus	6.0 million
Other transfers from Operating in accordance with Reserve By-Law	9.8 million
Less: Net transfers approved from 2010 Capital Budget and Other Approvals	<u>(7.8 million)</u>
Balance - December 31 (non-consolidated)	\$ 90.2 million
Add: Reserves of Consolidated Entities	<u>1.4 million</u>
Balance - December 31 (Consolidated)	\$ <u>91.6 million</u>

BACKGROUND:

Please see Appendix A for tables illustrating the trends in reserve and reserve funds over the past five years.

Signed By

Report Prepared By

Apryl Lukezic
Co-ordinator of Capital
Digitally Signed Jun 16, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 16, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 16, 11

Please see Appendix B which provides a more detailed explanation of each of the City's reserves and reserve funds at the end of 2010.

Reserves and reserve funds are generally set aside for significant future purchases, to replace major capital infrastructure, are accumulated to meet a growing future liability, or are simply accumulated to provide a buffer for significant unanticipated expenditures beyond the control of Council.

The main difference between a reserve and a reserve fund is that a reserve does not earn interest, whereas a reserve fund is in a separate fund and is credited, on a monthly basis, with the interest it has earned.

As outlined in the BMA study, reserves and reserve funds are a critical component of a municipality's long-term financing plan. The purpose for maintaining reserves, as outlined in the report, is to:

- Provide stability of tax rates in the face of variable and uncontrollable factors (consumption, interest rates, unemployment rates, changes in subsidies)
- Provide financing for one-time or short term requirements without permanently impacting tax and utility rates
- Make provisions for replacements/acquisitions of assets/infrastructure that are currently being consumed and depreciated
- Avoid spikes in funding requirements of the capital budget by reducing their reliance on long-term debt borrowings
- Provide a source of internal financing
- Ensure adequate cash flows
- Provide flexibility to manage debt levels and protect the municipality's financial position
- Provide for future liabilities incurred in the current year but paid for in the future

Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally. The level of reserves and reserve funds is a key measure of the financial health of a municipality. Compared to other municipalities in Ontario, the City is below the median as it pertains to reserves and reserve funds as a percentage of total taxation, as identified in the 2010 BMA municipal study which is based on statistics for 2009. In 2009, only fifteen of seventy-five participants in the study have a lower percentage than Sudbury. The results across the survey range from a low of 19.6% to a high of 305.7% in 2009. For 2010, there has been an increase at the CGS from 38.6% to 44.4%.

By-law

By-law 2010-84, being the by-law to establish and continue reserves, reserve funds and trust funds, is reviewed on an annual basis and recommendations to establish, discontinue or consolidate reserves are brought to Council for approval, and for authority to amend the By-law.

Trust Funds

Trust funds are not included in this report. Trust funds are monies of others, being held in trust by the City, for specific purposes. The money is spent on the intended purpose or returned to the original source. Examples of trusts are the cemetery trust where money has been received and is held in trust to ensure perpetual care and maintenance of the cemeteries, or the funds belonging to residents of Pioneer

Manor being held in trust for them.

Deferred Revenue - Obligatory Reserve Funds

Obligatory Reserve Funds are not included in this report as they represent deferred revenues. The balance as at December 31, 2010 was \$30.4 million, down from \$31.6 million in 2009. Deferred Revenue-Obligatory Reserve Funds, that by nature of the revenues received, involve restrictions on their use and are not available for the discretionary use of Council. The decrease relates to spending of Provincial Gas Tax Revenues, Canada Transit Funding, Parks (Section 50) and Regional Road #80 which are offset by unspent Federal Gas Tax Revenues, subdivision deposits and building permit revenues.

Long Term Financial Plan

The Long Term Financial Plan, adopted by Council, references reserves in a number of its recommendations:

- 1.6 Plan for the replacement of infrastructure through the use of life cycle costing and the development of replacement reserves.
- 5.2 Undertake regular reviews of remaining life and condition of assets and determine required annual reserve contributions sufficient to ensure that 90% of approved infrastructure rehabilitation / replacement schedules can be met at the required time.
- 8.1 Facility, equipment and infrastructure replacement reserves should be established and funded to ensure that 90% of approved infrastructure rehabilitation / replacement schedules are met (long-term), as determined in point 5.2
- 8.2 Establish a Stabilization Reserve for programs that are susceptible to significant annual expenditure fluctuations (eg. Winter Maintenance). Program budgets should be based on a moving five year historical average of program spending. In years when surplus funds occur in these programs, surpluses should be reserved, provided an overall City surplus exists. Where the City's overall surplus is less than the program surplus, funds should only be reserved up to the level of the overall City surplus.
- 8.3 Establish reserves to provide funding for future liabilities (eg. sick leave). Contributions to these reserves should be set, at a minimum, at an amount sufficient to ensure the liability does not increase.

The City needs to address these recommendations through the establishment of and continuation of increased funding for reserves.

CONCLUSION:

It is recommended that the City continue to implement and foster prudent reserve and reserve fund policies, especially in light of the intense capital financing pressures which it faces over the next five to ten years.

Currently, the By-law governing Reserves, Reserve Funds and Trust Funds is being reviewed to ensure the content is still applicable and appropriate. A report to Policy Committee will follow in the fall 2011.

Appendix A: Historical trend in reserve and reserve funds.

The following tables illustrate the trends in reserve and reserve funds over the past five years:

	2006	2007	2008	2009	2010
CGS Reserves (in '000)	\$ 6,004	\$9,524	\$10,737	\$6,620	\$9,481
CGS Reserve Funds	81,581	89,765	77,878	73,874	80,749
Total CGS Reserves & Reserve Funds	\$87,585	\$99,289	\$88,615	\$80,494	\$90,230
Other Consolidated Entities	626	838	1,285	1,170	1,410
Total	\$88,211	100,127	\$89,900	\$81,664	\$91,640

	2006	2007	2008	2009	2010
Reserves as a % of Taxation	42.8%	47.9%	50.8%	38.6%	44.4%
BMA Study – Median	56.4%	55.3 %	66.2 %	63.7 %	TBD
BMA Study – Low	5.1%	12.5 %	16.3 %	19.6 %	TBD
BMA Study – High	244.0%	238.3%	231.9%	305.7%	TBD

TBD – to be determined

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	RESERVES	31-Dec-10 \$	31-Dec-09 \$
Election Reserve	Annual contributions are made to this reserve so as to avoid major budget fluctuations in election years. Funds will be withdrawn for the next municipal election in 2014.	442,406	851,187
Libraries / Citizen Service Centre Reserve	Because libraries receive Provincial operating grants, a working reserve is required. When the City is in a surplus position overall, any Library surplus is contributed to this reserve, and deficits are funded from this reserve. Also used to finance capital and special projects.	75,454	20,945
Committed	Balance is for the South Branch Library and the Valley East Archives project.	460,140	14,910
Land Reclamation Reserve	Fund created from surpluses due to net under expenditures in Land Reclamation over the years. Used to offset fluctuations in the cost of purchasing seedlings each year, which eliminates fluctuations in operating costs.	522,464	273,248
Reserve for Various Expenses	Created at year-end, through resolution of Council, to allow funds budgeted in current year to be carried forward to the following year to pay for certain items. The majority of these funds will be spent in 2011.	2,541,646	1,734,315
Ontario Works Reserve	Established to be used as a buffer for such instances as the Province increasing benefits to recipients mid-year when no budget provision had been made.	340,150	340,150
Human Resources Organizational Development Reserve	This reserve shall be funded from any annual under expenditures in training related accounts, and shall be used to fund training and development of City staff.	538,765	493,866
Pioneer Manor Fundraising Reserve	Net revenue resulting from fund-raising activities at Pioneer Manor (mainly through auxiliary). Committee of residents, auxiliary, staff recommend expenditures from this reserve (i.e. prints for walls, etc.). Not truly City's money.	98,320	81,131
Future Development Charges Study Reserve	Set aside to fund the next Development Charges background study in 2014.	15,788	15,788
Tax Rate Stabilization Reserve	This reserve provides for year-to-year variances in the operating budget.	568,416	852,929
Committed	Represents funds committed by Council for a number of one-time programs. The balance includes all of Council's decisions to December 31, 2010 and 2011 budget options as approved by Council. There is an increase in the balance due to budget options funded from this reserve for 2011.	3,770,127	1,834,499
Reserve for West Nile Virus	Established to fund the City's share of West Nile Virus/Vector Borne Disease expenditures that may be incurred and levied by the Health Unit.	107,000	107,000
	Sub Total	\$9,480,678	\$6,619,968

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	RESERVE FUNDS	31-Dec-10 \$	31-Dec-09 \$
Sick Leave Reserve Fund	Annual contributions from current budget to be used to pay out accumulated sick leave credits. Most employees no longer receive sick leave credits, but are covered through weekly indemnity and long term disability. Sick leave credits in existence at the time of the change were left intact, and employees are entitled to a payout of 50% of these credits, to a maximum of 6 months pay, when they retire. Employees at Pioneer Manor and Fire Services still accumulate 1.5 days per month of sick leave. Total CGS liability at the end of 2010 is \$6.2 million which exceeds the balance in the fund.	2,793,743	2,833,942
Police Sick Leave Reserve Fund	The Police still accumulate sick leave credits of 1.5 days per month, and are entitled to a pay out of 50% of accumulated credits, up to six months of pay, when they leave. Total CGS liability at the end of 2010 is \$6.2 million which exceeds the balance in the fund.	1,956,672	1,641,607
Police Services Post 65 Employment Benefits Reserve Fund	The Police have set up this reserve fund to provide for retirees' benefits past the age of 65. This reserve fund can be funded from net expenditures in the Police operating budget, budgeted contributions and unallocated funds from its capital envelope.	420,441	410,000
Human Resources (HR) Management Reserve Fund	Balance in fund indicates favourable claims experience. To be used to fund claims and absorb fluctuations in premium rates. Can also be used for any initiatives targeted to reduce or control expenses to the benefit plans and sick leave reserve fund. In addition, an unfunded liability of \$26.5 million relating to post-employment benefits exists.	7,015,920	6,860,761
HR Committed - Succession Planning	Approved by Council for succession planning.	2,133,242	2,258,542
HR Committed	Approved by Council for claims stabilization and rewards and recognition program.	2,293,907	2,306,313
WSIB (Workers Safety Insurance Board) Schedule 2 Reserve Fund	Established through contributions from Current Fund by assessing 'premiums' on payroll. The reserve is used to pay invoices from WSIB, to top up salaries in accordance with Collective Bargaining Agreement requirements and to pay rehabilitation expenses. The reserve ensures there is no detrimental impact on the operating budget. It is strongly recommended that the balance in this reserve fund be maintained in order to have funds available should the City experience any catastrophic loss. All City employees except Pioneer Manor are under Schedule 2.	1,941,955	716,350
Insurance Reserve Fund	Funded through contributions from Current Fund and used to fund adjuster expenses and the deductible portion of claims. There are many outstanding claims, with the deductible portion of most claims being \$50,000. The fund is required to ensure that claims can be covered with no impact on the Current Fund. If deductible limits or claims experience should increase, the annual contributions to this reserve may also have to be increased.	1,042,842	1,370,853

CITY OF GREATER SUDBURY

Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009

NAME	RESERVE FUNDS	31-Dec-10 \$	31-Dec-09 \$
Environmental / Other Initiatives Reserve Fund	Funded from contributions from the operating fund as per budget or Council request	649,962	633,821
Land Acquisition Reserve Fund	Funded from net proceeds of sale of surplus property and used to fund purchases of any required property.	1,992,149	1,995,161
Committed	Used towards purchase of 1160 Lorne Street	0	1,340,000
Parking Improvement Reserve Fund	Funded from net proceeds of parking facilities, and to be used on improvements or expansions to parking facilities.	1,991,783	1,758,199
Committed	Approved by Council for parking improvements from the 2011 Capital Budget.	100,000	0
Pioneer Manor Capital Reserve Fund	Funded from surpluses in the current budget to be used for capital improvements at Pioneer Manor as authorized by Council. Decrease from prior year due to completion of The Lodge (Boreal redevelopment) in 2010.	0	1,149,205
Pioneer Manor Donations Reserve Fund	Funded through donations and to be used specifically for improvements to the grounds and courtyards at Pioneer Manor.	48,566	40,693
Social Housing Capital Reserve Fund	Used to fund any major capital undertakings for the housing stock. Operating surpluses in this section are to be credited to this reserve fund if the City is in an overall surplus position. Deficits are to be funded from this reserve fund. This fund is capped at \$10 million.	6,482,951	6,244,682
Committed	Approved by Council from 2011 Budget for various projects.	200,000	0
Industrial Park Reserve Fund	Established from proceeds of land sales in the Industrial Park and to be used for the expansion or creation of Industrial Parks.	1,853,318	2,322,364
Committed	Committed by Council primarily for improvements to Walden Industrial Park and an Industrial Land Infrastructure Assessment.	1,173,348	857,895
Community Initiatives	Funded through contributions from operating with Council approval for community projects with the funds being either conditional or required at a later time. Funds are earmarked for St. Joseph's Villa and Northern Ontario School of Architecture.	1,575,129	1,531,543
Business Centre Reserve Fund	Originally established through a contribution from the Industrial Reserve Fund, has continued through contributions from partners in the Regional Business Centre. The balance therefore is not completely attributable to the City. The Business Centre was created to help businesses become established and viable. Surpluses and deficits in the Regional Business Centre are credited to or debited from this fund.	629,191	464,770
Capital Lot Levies Reserve Fund	Funds collected under the terms of capital levy by-laws, and related to some subdivisions. Funds collected can be used only on water and / or wastewater capital projects. Reserve Fund closed in 2010 and balance transferred to Wastewater Reserve Fund	0	232,567

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	RESERVE FUNDS	31-Dec-10 \$	31-Dec-09 \$
Public Safety Reserve Fund	Annual budgeted amounts are contributed to this Reserve Fund for the replacement of 911 Communications Infrastructure.	929,188	774,302
Stormwater Management Reserve Fund	This Reserve Fund is funded by deposits received through Site Plan Control Agreements and Subdivision Agreements for future storm water development initiatives.	519,219	317,648
Centennial Drive Booster Reserve Fund	Funded through \$2,000 per lot charge collected on registration of Plans of Subdivision in the area near Centennial Drive. Funds must be used to upgrade the booster for water service.	75,674	69,850
Roads Winter Control Reserve Fund	Established in 2003 in accordance with Long Term Financial Plan recommendations as a stabilization reserve. May be used to offset Winter Control over expenditures.	3,000,000	881,784
Vegetation Enhancement Technical Advisory Committee (VETAC) Reserve Fund	Funded through donations and to be used for projects recommended by the Vegetation Enhancement Technical Advisory Committee, as authorized by Council.	4,440	4,329
South Branch Library Reserve Fund	This fund is for the reconstruction of the library. Reserve Fund closed as per Council Report and balance transferred to Library Reserve	0	874,613
Agricultural Drains Reserve Fund	Established in 2009, funded from the operating budget, used to fund the municipal share of agricultural drains maintenance and construction costs of new drains.	580,383	381,993
Police Services Donations Reserve Fund	Under control of the Police Services Board and to be used for crime prevention initiatives.	111,935	73,707
Cemeteries Reserve Fund	Cemetery Services is self-funding; this reserve is funded through any annual cemetery operating surplus and is to be used only to fund cemetery deficits and for cemetery capital projects.	196,287	80,935
Committed	Funds approved in 2011 and 2010 Capital Budgets for various projects.	200,000	665,000
Emergency Services - Ambulance Reserve Fund	Funded through contributions from Current and Provincial grants. Must be used for ambulance capital projects including all vehicles and equipment. May be subject to having to return funds to Province if not used for projects specific to EMS.	2,186,735	2,715,761
199 Larch Street Building Maintenance Reserve Fund	Established at time of purchase of 199 Larch (a \$17 million asset), with annual contributions. To be used to offset any major capital repairs, thus preventing a substantial impact on the current fund. Surpluses in this section shall be credited to the reserve fund and deficits are to be funded from this reserve fund.	1,681,056	1,695,826
	Sub Total	\$45,780,035	\$45,505,016

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	31-Dec-10 \$	31-Dec-09 \$
CFRF - Information Technology	Funded from any under expenditures in the Information Technology section, if the City is in an overall surplus position. Also funded from any under expenditures in related capital projects. To be used for information technology projects only.	2,699,201	2,243,494
Committed	Approved funds from 2011 and 2010 Capital Budgets for various software and consulting costs.	110,000	113,615
Equipment and Vehicle Replacement Reserve Fund	Funded through contributions from Current Fund by equipment credits.	3,586,650	4,441,938
Police Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund. Annual contribution is scheduled to be fully utilized. This Reserve Fund is controlled by the Police Services Board.	1,494,916	519,110
Transit Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund and to be used for replacing transit vehicles.	2,172,389	2,603,433
Fire Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund and to be used for replacing fire vehicles and equipment.	170,913	166,669
Recycling Equipment Replacement Reserve Fund	Funded through contributions from Current Fund. Much of the recycling equipment is 15 years old and has almost reached the end of its useful life. It is anticipated that the equipment will have to be replaced within the next few years, and the full balance of this fund will be required.	1,138,269	1,229,577
Parks Vehicle and Equipment Reserve Fund	Funded through contributions from Current and to be used for replacing parks equipment. Annual contribution is scheduled to be fully utilized.	129,135	212,481
CFRF - Solid Waste	Funded from annual contributions from the current budget and under expenditures in related capital projects. To be used only for solid waste projects. The balance of this reserve fund is required for projects identified in the approved Certificate of Approval for the landfill sites, in particular the Sudbury site which is slated to become the only landfill site in the City once all other sites are closed. The post-closure liabilities amounted to \$14.1 million at the end of 2010. In addition, there is a capital funding gap.	1,788,973	2,442,094
Committed	Represents funds approved in 2011 and 2010 Capital Budget for various projects.	819,000	595,628

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	31-Dec-10 \$	31-Dec-09 \$
CFRF - General	One half of any annual current operating surplus or deficit is funded from or contributed to this reserve fund. It is also the only source of funding for capital projects that have no capital envelope.	2,341,467	798,084
Committed	Represents funds committed by Council for a number of one-time programs. The balance includes all of Council's decisions to December 31, 2010 and from the 2011 Budget.	2,075,568	1,004,779
CFRF - Administrative	Funded from any under expenditures in related capital projects. To be used only for corporate infrastructure (i.e. telephone systems, docutech equipment, etc.).	464	67,508
Committed	Represents funds committed by Council for various projects from the 2011 Capital Budget.	107,136	0
CFRF - Economic Development	To be funded from unallocated or excess funds in the capital envelope, and to be used only for Economic Development projects.	17,662	122,804
Committed	Committed funds for various projects from 2011 and previous budgets.	574,035	481,356
CFRF - Buildings	Funded from under expenditures in related capital projects. To be used only for assets (buildings) projects.	291,532	260,443
Committed	Previously approved funds for fuel systems, salt domes and depots.	390,765	580,000
CFRF - Police	Funded from under expenditures in related capital projects. Will be used only for Police projects. Reserve is under the control of Police Services Board.	1,187,510	919,988
Committed	Committed funds for various projects from 2011 Capital Budget.	500,000	0
CFRF - Roads	Funded from under expenditures in related capital projects. To be used only for Roads projects. Increase in the balance of the reserve is due to development charges collected.	2,602,590	2,127,952
Committed	Balance represents funds committed from the 2011 Capital Budget and for property acquisition.	2,014,432	536,196
CFRF - Waste Water	Funded from under expenditures in related capital projects and development charges. In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for Wastewater projects. Used to address any emergency upgrades which may be required, upon authority of Council.	1,894,059	274,394
Committed	The balance is committed to the Lively treatment plant upgrades and sanitary Rock Tunnel inspections.	549,960	349,960

CITY OF GREATER SUDBURY

**Reserve and Reserve Fund Balances
as at December 31, 2010 compared to December 31, 2009**

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	31-Dec-10 \$	31-Dec-09 \$
CFRF - Water	Funded from under expenditures in related capital projects, development charges and deposits at the building stage for water meter installation. In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for water projects, including water meter installation and any projects necessitated by the Ministry of the Environment. Used to address any emergency upgrades which may be required, upon authority of Council.	5,242,508	4,839,538
Committed	The balance is committed for the City's contribution to the Skead Heritage Homes water project.	5,730	173,103
CFRF - Community Development - H & S S	Funded from restructuring and high wage subsidies received from the Province for Pioneer Manor, and from any under expenditures in related capital projects.	27,923	368,164
Committed	This amount represents previously approved funds for physician recruitment and approval from 2011 Capital Budget for various projects at Pioneer Manor.	569,172	682,104
CFRF - Fire Services	Funded from under expenditures in related capital projects. To be used only for Fire Services Projects.	29,229	28,503
CFRF - Community Development - Citizen / Leisure Services	Funded from under expenditures in related capital projects. To be used only for Citizen and Leisure Services projects.	368,337	147,742
Committed	Commitments related to Council related projects and scoreboard replacement.	69,084	38,582
	Sub Total	34,968,606	28,369,239
	TOTAL RESERVE AND RESERVE FUNDS	90,229,319	80,494,223

Request for Decision

2010 Year End Operating Budget Variance Report

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Wednesday, Jun 15, 2011
Type:	Managers' Reports

Recommendation

That the Audit Committee accept the 2010 Year End Operating Budget Variance Report dated June 15, 2011, from the Chief Financial Officer/Treasurer.

Executive Summary

This report provides the Audit Committee with an analysis of the City's year end position and the variances between 2010 budget and actual results. The 2010 year end audit is complete, and the 2010 surplus of \$6 million has been contributed equally to the Tax Rate Stabilization reserve and the Capital Financing Reserve Fund General, in accordance with the Reserve and Reserve fund by-law.

Background

Council is provided with a variance report after each quarter end is complete. This report is an update from the September 2010 year end forecast provided to Council in November 2010 and the verbal updates during 2011 budget deliberations.

The following summary depicts the total surplus and transfer to reserves.

Year End Surplus, before final reserve transfers	\$10,040,000
Contribution to Winter Control Reserve Fund	(\$2,100,000)
Contribution to Various Reserves - Information Technology, Land Reclamation, Social Housing, Police and Professional Development in accordance with the reserve and reserve fund by-law	(\$1,890,000)
Surplus to be contributed to Tax Rate Stabilization Reserve and Capital Finance Reserve Fund General	\$6,050,000

In accordance with the Reserves and Reserve Funds By-law, certain service areas within the City that experienced a net under expenditure retain this under expenditure if it does not put the City in a deficit position; these areas include Information Technology, Land Reclamation Services, Social Housing Services, Police Services and professional development. These surpluses totaled approximately \$1.89 million.

Since the City is in a surplus position, the Reserves and Reserve Funds By-law also permits a transfer to the Roads Winter Control Stabilization Reserve Fund up to a maximum balance of \$3 million. The maximum transfer for 2010 is \$2.1 million as the reserve balance as of December totaled \$900,000.

In accordance with the by-law, the net surplus of \$6 million is to be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing General Reserve Fund.

Signed By

Report Prepared By

Barbara Dubois
Senior Budget Analyst
Digitally Signed Jun 15, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 15, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 15, 11

Attached is an additional chart that reflects the annual budget, year end position and variance for each area. The following explanations relate to areas which experienced year end variances greater than \$200,000:

1) Taxation Levy

The net surplus in this cost centre is the result of a positive variance of approximately \$5.1 million in supplementary taxation revenue based on supplementary rolls received for 2010. A normal part of the assessment process is the delivery of supplementary assessment rolls by MPAC which provides changes to the assessment base due to new construction and additions. The supplementary tax revenue for 2010 is unprecedented when reviewing past years of supplementary taxation. This can be attributed mainly to the significant growth in commercial, industrial and new residential development from 2008 to 2010.

Offsetting this revenue is an increase of approximately \$1.4 million in the provision for possible tax write offs, resulting in a net under expenditure of \$3.7 million.

After including other small positive variances, this section has realized a year end net surplus of approximately \$4.1 million.

2) Grants and Subsidies

In 2010, the Province provided a \$45.4 million Ontario Municipal Partnership Fund (OMPF) grant to the City. The Social programs component of the grant is dependent on the City's Social Services Program costs. In 2010, the City's social services expenses were greater by \$1.3 Million than the Ministry of Finance 2010 OMPF allocation notice. Based on the 2009 OMPF reconciliation, no additional revenue is anticipated for 2010.

3) Other Revenues

The positive net variance of \$2.7 million in this area is almost entirely due to investment income. Investment income surplus was a result of a better cash flow position than anticipated, and the City's new investment strategies.

Furthermore, unanticipated revenues were received in June relating to a refund for Natural Gas incurred in 2009.

4) Administrative Services

This variance of \$420,000 is primarily a surplus of \$220,000 in Provincial Offences, resulting from the unanticipated collection a large fine, and small surpluses in clerk's services, communications, and the Executive Director's office. The Information Technology under expenditure is largely related to staff vacancies, as IT had at least 3 employees off during the year, which also resulted in project work that could not be completed due to staff shortages. In accordance with the Reserve and Reserve Fund By-law, Information Technology's surplus of \$510,000 was transferred to the Capital Financing Reserve Fund – Information Technology.

5) Planning and Development

This section produced a net under expenditure of \$190,000 which is comprised of small positive variances within many cost centres, mostly due to savings in wages and benefits as a result of the difficulties experienced in filling positions. Land reclamation had a surplus as a result of the donations from Vale and Xstrata Nickel. In accordance with the Reserve and Reserve Fund By-law, Land Reclamation's surplus of \$249,000 will be transferred to the Land Reclamation reserve.

6) Asset Management

This area produced an overall deficit of \$1.4 million which is almost entirely comprised of Fleet Services. The deficit is caused primarily by additional parts and maintenance (\$570,000) and labour costs (\$205,000) in order to maintain the City's aging fleet, as well as additional leasing costs (\$140,000) to meet operational requirements. Furthermore, there was a \$400,000 variance between budgeted and actual heavy equipment usage charges which is largely a result of reduced winter control activities due to a mild winter and the effects of an hourly fleet charge system in place for 2010. Assets and Finance have implemented a new fleet rental rate system for the 2011 budget that charges departments for vehicles and equipment on a fixed monthly rate regardless of usage for a consistent investment in future capital replacement. There are also further plans to prepare fleet policies with respect to fleet ownership, repairs and preventable/non-preventable maintenance.

7) Environmental Services

The net under expenditure of about \$1.2 million is the result of several factors. Greater than anticipated market commodity pricing for the sale of recycled blue box materials produced a surplus of \$705,000 which was net of the CGS revenue sharing agreement. There were lower than expected costs in contractual services such as blue box recycling of \$105,000. The new tire funding program resulted in reduced processing costs of \$120,000 for tire recycling requirements, and Project and Studies costs for groundwater monitoring was under spent \$60,000 due to reduced

reporting requirements for 2010. The landfill gas system also produced additional revenues of \$78,000.

8) Housing Services

In the Non-Profit Housing Program, the anticipated increase in the demand for rent-geared-to-income subsidies was less than expected. Though the vacancy rates were raised slightly, many market renters occupying geared-to-income units either delayed or did not make the move to the private sector. Housing provider mortgage renewal rates were lower than anticipated resulting in an overall lower demand for mortgage subsidies. The combined impact of these factors resulted in a year end under expenditure of \$540,000. In accordance with the Reserve and Reserve Fund By-law, the net under expenditure in this area will be transferred to the Social Housing Capital Reserve Fund.

9) Long Term Care and Senior Services

In May 2010, Council approved a staffing enhancement as a result of Long-Term Care Homes Common Assessment Project, new legislation and the conversion of interim to permanent beds, for an annual cost of \$400,000. At that time the projected over expenditure inclusive of all costs associated with new permanent positions was anticipated to be \$1.2 million.

The majority of the \$1.2 million over expenditure, is a result of overtime costs associated with a shortage of registered staff, modified work requirements and a Workers Safety and Insurance Board (WSIB) surcharge based on a high number of claims in 2009, and is partially mitigated by additional revenues.

10) Social Services

Lower caseload expenditures than budgeted for General Welfare Assistance and Sole Support along with lower administration costs have resulted in this area realizing a year end net under expenditure of \$930,000.

11) Citizen Services

The under expenditure of \$280,000 relates primarily to Children Services and can be attributed to variances in salaries and benefits, including savings due to maternity and parental leave replacements. Approximately \$220,000 was unspent in the Junior Citizens Day Care through vacancies and scheduling changes related to enrolment. As a result of these changes in enrolment, part time hours were reduced for the 2011 budget.

12) Winter Roads Maintenance

Due to a mild winter in 2010, winter control operations were approximately \$4.1 million under budget. The \$4.1 million under expenditure was incurred in sanding/salting and plowing (\$2.75 million), snow removal (\$650,000), ditching (\$280,000), sidewalk maintenance (\$210,000) and other miscellaneous road maintenance (\$200,000). In accordance with the Reserve and Reserve Fund By-law, \$2.1 million will be contributed to the Roads Winter Control Reserve Fund to reach the maximum allowable Reserve fund balance of \$3 million.

13) Street lighting

Based on information obtained from Greater Sudbury Utilities there was an increase in costs beginning February 2010 to adjust the distribution recovery rate (delivery charge) from 6% to 41%. The rates will be progressively increased to achieve an acceptable OEB cost ratio recovery in line with contractual obligations with power generators. As of July 2010 the recovery rate was increased to 55.65% and in 2011 will achieve 70% recovery of distribution costs. These market rate increases resulted in a year-end over expenditure in this area of \$570,000.

14) Fire Services

The deficit in this area is the result of an increase in salary and benefit costs related to a retroactive pay adjustment awarded under salary arbitration. Fire Services was projecting to be on budget prior to this award. The total 2010 over expenditure is approximately \$1.5 million.

15) Police Services

The Greater Sudbury Police Service had a net under expenditure of approximately \$510,000. The key contributing factor to the variance was reimbursement related to participation in the Olympic Games and the G8 and G20 summits during the year. Additionally, unanticipated revenues were received through joint force operations and grants. As well there were some savings realized through sick leave. In accordance with the Reserve and Reserve Fund by-law, the surplus will be transferred to the Capital Financing Reserve Fund – Police.

Summary

As per the attached chart, the City's year end surplus is comprised of a positive revenue variance of \$5.51 million or

2.2% of the budgeted revenue and a net under expenditure of \$540,000 or .2% of the budgeted expenses. The surplus of \$6 million will be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing General Reserve Fund.

**City of Greater Sudbury
CORPORATE REVENUE
EXPENDITURE SUMMARY**

For the Period Ending: December 31, 2010

	Annual Budget	Y-T-D Actuals	Surplus (Deficit)
Taxation Levy	(201,575,333)	(205,706,850)	4,131,517
Grants and Subsidies	(34,179,001)	(32,881,918)	(1,297,083)
Other Revenues	(10,147,050)	(12,826,136)	2,679,086
Corporate Revenue	(245,901,384)	(251,414,904)	5,513,520
 Executive - Administrative	 2,195,900	 2,056,601	 139,299
Administrative Services	2,700,134	2,280,362	419,772
Financial Services	6,859,098	6,855,429	3,669
Human Res and Org Dev	(60,823)	(60,823)	0
Growth - Development Services			
Growth and Development Other	1,198,964	1,209,758	(10,794)
Economic Development	3,419,403	3,460,245	(40,842)
Planning and Development	4,814,714	4,624,897	189,817
Sudbury Airport Personnel	1	0	1
Build Serv, Enforc & Compliance	385,352	472,620	(87,268)
Transit & Parking	10,282,425	10,403,608	(121,183)
Assets Management	3,869,047	5,270,644	(1,401,597)
Environmental Services	11,845,376	10,679,555	1,165,821
Growth - Development Services	35,815,282	36,121,327	(306,045)
Community Development Services			
Community Development - GM	(8,534,884)	(8,663,183)	128,299
Administrative-Financial Serv.	328,410	242,789	85,621
Regional Geriatric Services	0	0	0
Housing Services	17,925,617	17,925,617	0
Long Term Care-Senior Services	2,824,542	4,014,819	(1,190,277)
Social Services	16,652,748	15,726,268	926,480
Citizen Services	11,576,697	11,296,218	280,479
Leisure - Recreation Services	18,233,538	18,201,900	31,638
Community Development Services	59,006,668	58,744,428	262,240
Infrastructure Services			
Municipal Agricultural Drains	358,043	358,043	0
Water and Waste Water	2,901,377	2,901,377	0
Roads Contr To Capital	23,042,222	23,041,723	499
Summer Maintenance	13,976,895	14,050,409	(73,514)
Winter Maintenance	15,102,621	13,099,313	2,003,308
Road Engineering and Admin Costs	3,152,064	3,041,157	110,907
Streetlighting	1,805,596	2,379,453	(573,857)
Infrastructure Services	60,338,818	58,871,475	1,467,343
Emergency Services Division	9,516,891	9,512,722	4,169
Fire Services	19,819,434	21,268,988	(1,449,554)
Outside Boards Dept.			
Outside Boards (Health Unit and NDCA)	5,926,998	5,926,998	0
Police Services	43,782,984	43,782,984	0
Outside Boards Dept.	49,709,982	49,709,982	0
 TOTAL EXPENDITURES	 245,901,384	 245,360,490	 540,895
 Surplus to be Contributed to Tax Rate Stabilization Reserve and Capital Finance Reserve Fund General	 0	 (6,054,415)	 6,054,415

Request for Decision

2010 Water Wastewater Variance Report

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Wednesday, Jun 15, 2011
Type:	Managers' Reports

Recommendation

That the Audit Committee accept the December 31, 2010 Water Wastewater Variance Report dated June 15, 2011 from the Chief Financial Officer/Treasurer and the General Manager of Infrastructure outlining the year end position.

BUDGET MANAGEMENT STRATEGIES IN 2010

Beginning early in 2010, the quarterly variance reports were projecting that Water and Wastewater Services would be in a deficit. In response, staff took a number of steps to mitigate the projected deficit. These initiatives along with favourable weather conditions in 2010 enabled Water and Wastewater Services to achieve a surplus of \$802,432. The major strategies undertaken were:

1. A reallocation of existing City resources to identify incidences of water meter tampering and subsequent recovery of lost revenue has been a high priority. Since June, 2010, 83 incidents of tampering have been identified and the customers billed approximately \$180,000. These efforts will continue in 2011.

With recent revisions to the Water Use By-law and the hiring of an enforcement officer in Water and Wastewater, there will be a new revenue stream for fines and penalties. This revenue stream will begin to materialize in 2011.

2. Staff scheduling that saw a reduction in overtime hours and the use of casual labour
3. Some maintenance programs were scaled back for 2010 in order to reduce expenditures and these included:
 - Non-emergency repairs to masonry structures such as man holes and valve chambers;
 - Swabbing and flushing of water mains was reduced by about 25%;
 - Reduced use of Vactor trucks for maintenance of lift stations and sewer mains;
 - Hydrant painting was deferred;
 - Critical spare parts were not replaced;
 - Equipment replacement for items such as pumps, valves, flow meters, panel upgrades was deferred.

Signed By

Report Prepared By

Dion Dumontelle
Co-ordinator of Accounting
Digitally Signed Jun 15, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 15, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 15, 11

It is important to point out that although program cut backs have had a positive effect on the 2010 expenditures, these types of expenditure reductions are not sustainable in the long run.

YEAR END VARIANCE

The results of operations for Water and Wastewater Services for the year ended December 31, 2010 is a surplus of \$802,432, as outlined in Schedule A attached. The surplus has been transferred to the Water and Wastewater Capital Financing Reserve Funds in accordance with policy.

The major contributors to this surplus were:

Category	Favourable/(Unfavourable)
User Fees	(\$1,073,000)
Salaries and Benefits	\$310,700
Materials	\$1,065,700
Internal Recoveries	\$404,300
Other net variances	<u>\$94,732</u>
Total Surplus	<u>\$802,432</u>

VARIANCE EXPLANATIONS

User Fees

Water and waste water user fees were under budget by \$1.07 million. This short fall is related to declining consumption and the City's experience is consistent with trends across North America and can be attributed to growing environmental consciousness, price elasticity and a focus on conservation.

Salaries and Benefits

Salaries and benefits were under budget by \$311,000. Administrative and Supervision salaries were over budget due to unbudgeted supervisory relief, Overall Responsible Operator pay, temporary staff and co-op students, vacation payouts upon retirement and related benefits on these overages. Offsetting this was an under expenditure in operational salaries due to lower overtime costs and casual and student wages.

Materials

Materials were under budget by \$1,066,000.

A major contributor to this saving was in the area of chemicals which, between water and waste water was under budget by \$451,000. Chemical costs were favourably affected by moderate weather conditions in 2010, as well as by the decreased volume of water that had to be treated.

Spare parts and other materials were under budget by \$355,000 due to the reduction in maintenance programs in order to mitigate the projected deficit.

Sewer and property restoration repairs were under budget by \$260,000.

Internal Recoveries

Internal recoveries were under budget by \$404,000. Engineering costs allocated to water and wastewater from the Infrastructure Services Department was under budget by \$320,000, primarily due to savings in the Construction Service and Design and Drafting budgets.

Revenue & Expense Summary

Water/Waste Water Mtce.

Actual for Year Ended December 31, 2010 (audited)



Schedule A

	Annual Budget	Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	498,733	527,023	28,290	106
Provincial Grants & Subsidies	-	6,750	6,750	
User Fees	52,205,385	51,132,535	(1,072,850)	98
From Reserve and Reserve Funds	537,187	609,700	72,513	113
Other Revenues	9,600	6,974	(2,626)	73
Municipal Levy (fire protection)	2,883,337	2,883,337	-	100
Total Revenues	56,134,242	55,166,319	(967,923)	98
Salaries & Benefits	11,530,835	11,220,102	310,733	97
Materials Expenses	4,030,664	2,964,987	1,065,677	74
Equipment Expenses	-	281	(281)	
Energy Costs	3,411,725	3,350,545	61,180	98
Purchased/Contract Services	6,436,904	6,270,714	166,190	97
Debenture & Insurance Costs	2,096,464	2,145,830	(49,366)	102
Prof Development & Training	83,064	57,362	25,702	69
Grants - Transfer Payments	25,500	4,000	21,500	16
Prov to Reserves & Capital	20,311,464	20,546,789	(235,325)	101
Internal Recoveries	8,207,622	7,803,277	404,345	95
Total Expenses	56,134,242	54,363,887	1,770,355	97
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	802,432	802,432	
Contribution from (to) Water Reserve Fund	-	(152,303)		
Contribution from (to) Waste Water Reserve Fund	-	(650,129)		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		

Request for Decision

2011 Operating Budget Variance Report - March

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Thursday, Jun 16, 2011
Type:	Managers' Reports

Recommendation

That Audit Committee accept the March 31, 2011 Variance Report dated June 16, 2011, from the Chief Financial Officer/Treasurer outlining the projected year end position.

Executive Summary

This report provides a variance analysis of the City's first quarter results (January to March 31, 2011). Staff have identified areas where material year end variances in the operating budget may occur.

Background

The purpose of this report is to provide Council with a preliminary overview of potential year-end variances. The source used is the March 2011 Cost Centre Report, which includes expenditures and revenues for the first three months of the year. In many areas, only three months of data is not sufficient to identify potential variances; however in other areas, there may have been significant factors identified that may result in year-end variances.

A more detailed projection will be undertaken in the summer based on the expenditures and revenues contained in the June 2011 Cost Centre Report. During this process, each department will be requested to project a year-end value for each account. Based on this information, a corporate year-end projection will be made. Council will receive this report in September of 2011.

The following are areas where potential material year-end variances may occur:

1) Supplementary Taxation

It is anticipated that as a result of growth in the last few years, there will be a positive variance in this area. As in previous years, Finance is continually analyzing past building permits to ensure that the Municipal Property Assessment Corporation (MPAC) add completed projects to the assessment roll in a timely basis.

2) Fleet

Fleet Services is expecting an over expenditure of approximately \$500,000 as a result of the continuing trend of high mechanical material repair costs. These costs have experienced budget

Signed By

Report Prepared By

Barbara Dubois
Senior Budget Analyst
Digitally Signed Jun 16, 11

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jun 16, 11

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 16, 11

pressures on an annual basis. The main causes for the projected over expenditure are the increases in preventable damage claims to date, the aging fleet that requires higher levels of repairs and maintenance, as well as material price increases exceeding general inflation. Material prices have risen significantly and are a direct result of increases in crude oil prices (used in machinery to manufacture majority of vehicle/equipment parts) and other metals such as steel, a common compound found in many vehicle materials. The projected deficit may be reduced if projected savings on vehicle conversion costs are realized.

3) Long Term Care and Senior Services

Like many other health care providers in the City of Greater Sudbury, Pioneer Manor continues to experience significant staffing shortages resulting in unbudgeted overtime costs. Pioneer Manor also continues to experience high levels of modified work costs as a result of staff injuries. The impact of these two items and other miscellaneous cost pressures is an estimated 2011 over expenditure of \$950,000.

4) Winter Control

Net under expenditures relating to sanding/salting and plowing, snow removal, snow plowing and sidewalk maintenance is estimated at \$1.39 Million as of April 30th. This section is weather dependant therefore making it challenging to project a potential year end position for this area. Given normal weather conditions for November and December of 2011, this area should reflect an under expenditure.

5) Water Wastewater Services

By the end of March, Water Services had responded to approximately 43 watermain breaks. Approximately 25% of the annual contract services budget has been spent, with large breaks on Barrydowne, Strudwick and University Road accounting for 20% of the \$278,000 spent to date. There is potential for this account to exceed budget if the number of breaks continue at the current frequency and magnitude.

Offsetting this is the fact that there have not been any sewer main breaks and savings in this area could compensate for any potential overage in watermain breaks.

Summary

This has been a preliminary review of the revenues and expenditures for the first three months of 2011. It is still too early to provide an accurate year-end projection. A more comprehensive review will take place after the June 2011 month end and Council will be presented with a corporate year-end projection in September. Quarterly reports will be prepared for Council throughout 2011.