

2021 Operating Budget Variance Report - March

Presented To:	Finance and Administration Committee
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Report Summary

This report provides information regarding a variance analysis based on the City's first quarter results (January to March 31, 2021). Staff have identified areas where material year end variances in the operating budget may occur.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report.

Background

The purpose of this report is to provide the Finance and Administration Committee with a preliminary overview of potential year end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. The March variance report reflects 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 realized from January to May 2021. 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. The Finance and Administration Committee will receive this report in August, 2021.

In accordance with the Operating Budget Policy approved by Council, the following explanations relate to areas where a potential variance of greater than \$200,000 may occur within a division or section, or areas that Finance is monitoring closely:

1) Taxation Revenue

The first 2021 supplementary tax roll has not yet been received and therefore staff is unable to forecast the potential year end position. In 2020, the City received \$1.7 million in supplement taxation, approximately \$700,000 below the budgeted amount. This is an area where the potential for a variance exists, therefore staff will monitor and provide an up to date forecast for the June Variance Report when more information becomes available.

2) Human Resources and Organizational Development

Human Resources and Organizational Development is anticipating an over expenditure of \$220,000 related to legal costs. This is due to increased costs associated with various labour relations and employment matters, as well as costs associated with interest arbitration, grievance mediation and arbitrations. These activities are related to contractual obligations and have no impact on service levels.

3) Roads Winter Control Operations

Roads winter control is anticipating an under expenditure of \$3.35 million by year end as at March 31, 2021. This is largely due to favourable weather conditions leading to fewer winter events and an early spring. In accordance with the Reserve and Reserve Funds bylaw, any Roads Winter Control under expenditures shall be contributed to the Roads Winter Control Reserve Fund, if the City is in an overall surplus position. It is to be noted that the Roads Winter Control Reserve Fund has a balance of \$0 at year end (December 31, 2020).

4) Environmental Services

Tipping fee revenues are currently anticipated to fall short of targets for 2021 by approximately \$350,000 based on early 2021 activities. The estimated shortfall is largely due to Covid-19 restrictions on business operations. There is no impact on service levels as a result.

5) Water Wastewater

User fees for the first quarter of 2021 are slightly lower than revenues during the same period in 2020, which was pre-Covid. The current trend of lower commercial consumption has been partially offset by stable residential consumption during the latest stages of lockdowns and stay at home orders. The June projections will be based on information from our billing provider and will provide a better indication of the impact of current provincial orders.

Water and Wastewater is an essential service and both Treatment and Compliance and Distribution and Collection are operating under a normal schedule. At this time, no significant net over expenditures or net under expenditures are anticipated.

6) Fire Services

Fire Services is experiencing budget pressures of \$530,000 primarily in overtime costs due to an increase of WSIB Post Traumatic Stress Disorder injuries, unexpected early retirements and the September 2020 arbitration award which increased staffing with 2 additional firefighters on a full time basis. Approval was only received in April to hire the additional 8 new firefighters required as part of the 2021 budget process. Full time recruitment is currently taking place and the new recruits are expected to be hired in September and operational in November.

Covid-19

The corporation continues to respond to the Covid-19 pandemic and is cautiously preparing for a return to a service status which is more like the pre-Covid-19 operating environment. Factors such as provincial stay-at-home orders, reduced capacity, and enhanced safety and cleaning measures continue to generate cost pressures. In addition to extra costs, the City is also experiencing reduced user fee revenue as many services have experienced periods of closures, or reduced utilization. Similar to 2020, Provincial funding has been announced to help offset these added pressures. It is difficult to determine the overall impact that Covid-19 will have on 2021 services as this largely depends on provincial guidelines. The City will continue to follow the lead of the Province, and ensure that services are available to citizens when it is safe to do so.

Covid-19 Vaccination

The City continues to be an active partner in Public Health Sudbury and Districts efforts to vaccinate the community. This is a large undertaking with significant financial requirements. It is anticipated that the cost to vaccinate the community will be funded from by Province via Public Health Sudbury and Districts.

Summary

This report provides Committee with a preliminary review of the revenues and expenditures for the first three months of 2021. A more comprehensive review will take place after the May 2021 month end and Council will be presented with a corporate year end projection in August. Regular reports will be prepared for Council throughout 2021.